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FT Weekend tomorrow
Head to head, glass to glass: Jancis Robinson talks wine with Robert Parker

EU food policy
Commission buffeted from all sides
Page 7

Crédit Lyonnais
How Van Miert's veto threat finally broke the impasse
Page 2

Chicago
Boom town hits capacity restraints
Survey

Habibie faces renewed unrest amid calls for further reform

Indonesia's military declares support, but students condemn Suharto's successor

A Moslem preacher holds the Koran over the head of B. J. Habibie, Indonesia's new president, as he reads the oath of office yesterday in Jakarta while former president Suharto looks on. Picture: Reuters

By John Ridding and Sander Thoenes in Jakarta

Indonesia's new leader B.J. Habibie was confronted by demands for political reform yesterday, within hours of taking over from outgoing President Suharto, who was forced to step down after 32 years in power.

Mr Suharto's departure, which followed months of opposition and a deepening social crisis in the world's largest Moslem country, was greeted with celebrations from students and political opponents. But that soon gave way to concerns over prospects for reform under President Habibie and the risk of renewed social unrest.

While most commentators viewed Mr Habibie as a stop-gap appointment, he appeared to have backing from the military. Speaking immediately Mr Habibie took the oath of office, General Wiranto, the chief of the armed forces, declared the military's support for the new president and said the army would prevent further unrest. He also pledged to protect Mr Suharto and his deeply unpopular family.

The crisis in Indonesia has prompted growing concern abroad. While Mr Suharto's departure was welcomed, foreign leaders said it should mark only the first step towards greater democracy. "We urge Indonesia's leaders to move forward promptly with a peaceful process that enjoys broad public support," said Bill Clinton, US president.

In a televised address, Mr Habibie promised to push through political and economic reforms, including those agreed with the International Monetary Fund as part of its $43bn rescue package. But he was short on specifics and silent on plans for elections, the main demand of political opponents.

Mr Habibie is due to present his cabinet today, and is expected to include several respected reformers and economists.

Announcing his decision to step down in a brief and low-key speech at the Istana Merdeka palace yesterday morning, Mr Suharto said Mr Habibie would carry on his term, which is due to end in 2003. But that drew protests from students and critics. They said Mr Habibie, a close ally of Mr Suharto, should be only a transitional leader.

Tanks and troops took up positions across Jakarta, before Mr Suharto's speech, but apart from sporadic celebrations, the city remained largely quiet.

"Maybe after three months, or six months at the most, Habibie has to go," said Amien Rais, the Moslem leader at the forefront of the movement to oust Mr Suharto. However, he said Mr Habibie should be "given a chance" and that demands for his immediate resignation were too strong.

Three of Indonesia's biggest student organisations condemned Mr Habibie's succession. "We reject Habibie's elevation to the presidency as he is part of the same regime," said Rama Pertama, chairman of the student senate at Jakarta's University of Indonesia. Commentators said Mr Habibie would need to move quickly with political reforms to avert renewed protests and restore business confidence.

"Each day of delay will be damaging for the economy," said Alan Dupont, fellow of the strategic and defence studies centre at the Australian National University. Student protests, directed against Mr Habibie, could resume within days, he warned.

US Treasury struggles to close tax loophole

Congress opposes changes that will hit companies' competitiveness

By Gerard Baker in Washington

Governments around the world are losing billions of dollars a year in tax revenues as a result of a loophole in US tax regulations affecting overseas subsidiaries of some of the largest American companies, the US Treasury believes.

The Treasury is struggling to close the loophole, which has emerged in the last year. But it is facing opposition from Congress, which argues any changes would undermine the competitiveness of US companies abroad.

The problem arose from a change in US tax treatment of overseas subsidiaries in 1996. Under the changes, US companies with so-called "hybrid" transactions in several foreign countries can, in effect, transfer profits from a high-tax country to a low-tax country and significantly reduce their liability on the profits of the subsidiary in the high-tax jurisdiction.

At least one European government has expressed concern to the US authorities about the number of US businesses, which the Treasury believes is now running at 1,000 companies per month, applying to take advantage of the loophole. Officials are concerned that foreign governments may retaliate unless the US changes the rules.

"We're trying to preserve both the fairness and integrity of the international tax system," a senior Treasury official said yesterday. "If one or two countries try to plunder the tax base of the others it would lead to reciprocal action and a general war to the disadvantage of all of us," he added.

Congress will consider the Treasury's plan to close the loophole early next month, but it has already blocked an earlier attempt by the administration this year and seems unlikely to agree to change.

A low-profile, but surprisingly intense lobbying effort by some of the US's most profitable companies against the plans has won widespread support in Washington. "Why should we be the tax policeman for the world?" said Mark Weinberger, a lobbyist who has spearheaded the opposition.

The long list of companies, which have been urging Congress to leave the tax rules unchanged, contains some of the most famous international names in US business, including General Electric, Pepsico, Morgan Stanley, Merrill Lynch and Monsanto.

In a letter last month to Robert Rubin, the Treasury secretary, accountants Deloitte and Touche, on behalf of some of the companies, said the rule change would "impede the ability of our companies...to compete effectively in foreign markets" because international competitors could still avoid paying excess foreign taxes in a foreign country.

The Treasury says the tax breaks in fact represent an unfair advantage for US companies with overseas operations and says they could encourage companies to invest abroad rather than in the US, costing American jobs.

The largest US trade union, the AFL-CIO, last week sent a letter to members of Congress urging them to close the loophole.

Question of fairness, Page 4
Letters, Page 11

PolyGram agrees to $10.6bn Seagram bid

By Alice Rawsthorn in London

Seagram, the Canadian drinks and entertainment group, is poised to become the world's largest record company after securing agreement to acquire PolyGram, the Dutch music and film company, for $10.6bn in cash and shares.

Seagram plans to sell PolyGram's film division, which is the largest European-owned producer and distributor of feature films, for up to $1bn. Goldman Sachs, the US investment bank, has been appointed to find a buyer.

Canal Plus, the French media group, is understood to be assembling a consortium of European investors to buy the film company, which has backed successes such as *Fargo*, *Trainspotting* and *Four Weddings and a Funeral*.

Seagram's bid is composed of a cash and shares offer for the 75 per cent of PolyGram owned by Philips, the Dutch entertainment company, and a separate bid for the 25 per cent in public issue. It was endorsed by meetings of PolyGram's management and supervisory boards in New York yesterday, after being approved by the Philips board on Wednesday.

The deal may be subject to an antitrust investigation in the US, where PolyGram and Seagram's Universal Music subsidiary have a joint market share of almost 25 per cent. The Federal Trade Commission blocked the proposed merger of PolyGram and Warner Music in 1984 on the grounds that their 25 per cent combined share would be anti-competitive.

Seagram is understood to be confident of securing clearance from the US regulators. However, it would be prepared to sell one or more of PolyGram's record labels if that was necessary to prevent the acquisition being blocked.

Edgar Bronfman Jr, Seagram's chief executive, told PolyGram's supervisory board yesterday that he expected senior executives of PolyGram and Universal Music to start work immediately on devising a new management and operational structure for the merged companies.

PolyGram, whose artists include U2, Bob Marley, Tricky, Sheryl Crow, Pulp, Hanson and Metallica, mustered music revenue of $4.53bn in 1997. Universal Music made $1.58bn in revenue, and represents acts including No Doubt, Aqua, the Wallflowers and Erykah Badu.

Together the two companies will command about 25 per cent of global record sales, well ahead of rival multinational music groups such as Sony, Warner, EMI and Bertelsmann.

However, their merger is expected to lead to significant job losses, particularly in the US. The music industry is having a turbulent time, with record sales slowing worldwide and the threat of internet piracy rising.

WORLD NEWS

Venezuela to help US as five bankers charged in money laundering probe

Venezuela pledged to help bring indicted bankers to justice after a US money laundering investigation extended to the Venezuelan banking sector. The US charged five Venezuelan bankers with laundering $9.5m (£5.7m) in drug proceeds through four banks. Page 12; Mexicans lament, Page 4

One dead in US school shooting
A gunman opened fire at a high school in Springfield, Oregon, killing one person and injuring up to 25 others.

Russian miners step up protest
Russian miners stepped up their nationwide protest after months without pay, increasing pressure on a government struggling to calm financial markets. Page 2

Croatia criticised over reforms
The 54-nation Organisation for Security and Co-operation in Europe criticised Croatia for its failure to undertake genuine democratic reform. Page 2

Austria upset over nuclear plant
Slovakia is risking conflict with Austria, its only European Union neighbour, because it insists on switching on a controversial nuclear power plant. Page 2

Child labour rules attacked
Four multinational companies were criticised for not adopting policies to prevent the exploitation of child labour. Page 8

Rightwing anger at US budget cuts
Rightwing Republicans are angry at a US Congressional committee decision to approve a budget proposal for $100bn in spending cuts over five years. Page 4

Six nations to protect dolphins
The US signed dolphin protection agreements with Costa Rica, Ecuador, Mexico, Nicaragua, Panama and Venezuela that will allow Washington to lift tuna trade embargoes against them.

Israel to fight copyright piracy
Israel is to launch the country's first police unit to combat intellectual property violations. Page 7

Cardoso's support weakens
Brazil's general election in October promises to be closer than predicted after a poll showed that President Fernando Henrique Cardoso's ratings were falling. Page 4

Conservative ahead in Colombia
Ten days before the first round of Colombia's presidential election, the Conservative party candidate, Andres Pastrana, has opened up a 17-point lead. Page 4; Coalition for Hungary? Page 2

Italy's justice minister backed
The Italian government defused a crisis over the judicial system's failings as members of the centre-left coalition backed justice minister Giovanni Maria Flick. Page 2

Banks prepare for rush for cash
British banks are making plans to deal with a surge in demand for banknotes late next year as people stockpile cash, fearing that the millennium bomb might halt payment systems. Page 8

Blair pleads for Yes vote
UK prime minister Tony Blair made an impassioned plea for a Yes vote in today's referendum on the Northern Ireland peace agreement. Page 12; Peace poll, Page 8; Republic's revival, Page 10

The Financial Times is now printing in Chicago, the newspaper's 12th print centre worldwide. Page 4

BUSINESS NEWS

Saab Automobile poised to unveil $133m investment in quest for profits

Saab Automobile of Sweden is set to inject more than SKr1bn ($133m) of new capital into its plant and products as it tries to return to profit. The loss-making car company will also spell out plans to launch a station wagon. Page 13

Central European Media Enterprises, east Europe's leading commercial tv operator, hit by heavy start-up costs in Poland and Hungary, saw first-quarter operating losses widen to $25.4m from $4.2m. Page 15

Lukoil is preparing to buy smaller Russian oil company Sidanco, according to Lukoil chief Vagit Alekperov. British Petroleum owns 10 per cent of Sidanco. Page 15

Gas Natural of Spain is aiming to double customer numbers to 8.5m by 2002 by expanding in Latin America and at home. It also plans to diversify into electricity. Page 15

Ireland's state telephone monopoly will be lifted by the end of the year, opening the I£1.2bn ($1.7bn) market to competition a year ahead of EU schedule, public enterprise minister Mary O'Rourke said.

Commerzbank of Germany has started a $40m lawsuit against Hong Kong-based Peregrine over a currency swap executed at the time of the Asian investment bank's collapse. Page 14

Ruhrgas, Germany's biggest gas distributor, reached a deal worth some DM25bn ($13.7bn) for Gazprom of Russia to supply up to 13bn cubic metres a year of Russian natural gas from 2008. Page 7

Motorola and US satellite venture Teledesic are merging rival projects to build a worldwide "internet in the sky". Page 13

YBM Magnex International, US maker of magnets and bicycles, has been dropped from a Toronto Stock Exchange index amid allegations of laundering proceeds from Russian organised crime. Page 16

CarrAmerica Realty, US property operating company, is poised to venture into Europe with the acquisition of the UK franchise of a serviced office provider. Page 16

Sumitomo Bank, one of Japan's biggest and healthiest banks, wrote off Y1,043bn of bad debts last year, pushing consolidated pre-tax losses to Y502.7bn ($3.69bn). Page 13

Nippon Steel raised net earnings but warned of difficulties in the current tax year, while Kobe Steel went into the red. Page 14

Excite, the US internet service provider, rejected a $1.68bn bid from Texas-based Zapata, a group with holdings in marine protein and food packaging. Page 16

Aetna insurance group sold its individual life insurance business for $1bn to Lincoln National Corporation. Page 16

Sega Enterprises unveiled its new games machine, designed to leapfrog competing products and revive the Japanese video games company's fortunes. Page 13

Euro Prices
A comprehensive statistical guide to the new euro currency zone, covering foreign exchange, bond and equity markets. Page 19

WORLD MARKETS

STOCK MARKET INDICES		
New York: Lunchtime		
Dow Jones Ind Av	9100.02	(−11.46)
NASDAQ Composite	1827.22	(−4.53)
Europe and Far East		
CAC40	closed	
DAX	closed	
FTSE 100	5935.6	(+28.2)
Nikkei	15,845.25	(+192.30)
US LUNCHTIME RATES		
Federal Funds	5.43%	
3-mth Treas Bills: Yld	5.238%	
Long Bond	103$\frac{5}{32}$	
Yield	5.885%	
OTHER RATES		
UK: 3-mo Interbank	7$\frac{3}{4}$%	(7$\frac{3}{4}$%)
UK: 10 yr Gilt	110.1797	(110.229)
France: 10 yr OAT	104.10	(104.12)
Germany: 10 yr Bund	107.69	(107.71)
Japan: 10 yr JGB	111.47	(110.46)
NORTH SEA OIL (Argus)		
Brent Dated	$14.24	(14.575)

GOLD		
New York: Comex		
(May)	$307.0	(298.4)
London:		
	$300.95	(298.95)
EXCHANGE RATES		
Dollar		
New York: Lunchtime		
£	1.63255	
DM	1.75725	
FFr	5.889	
SFr	1.48425	
Y	135.735	
London:		
£	1.6325	(1.6318)
DM	1.7575	(1.770)
FFr	5.8935	(5.9365)
SFr	1.4853	(1.4758)
Y	135.45	(136.1)
Tokyo Close		Y 135.15
Sterling		
DM	2.8691	(2.8892)

London · Leeds · Paris · Frankfurt · Stockholm · Milan · Madrid · New York
Los Angeles · Tokyo · Hong Kong · Chicago

CONTENTS

WORLD NEWS

EUROPE

Four-year battle for the soul of Crédit Lyonnais

Andrew Jack in Paris describes the French government's long struggle to persuade the pugnacious EU competition commissioner Karel Van Miert to accept its rescue plan for the ailing state-owned bank

Early on Friday May 1, a top executive of Crédit Lyonnais boarded the high-speed train linking Paris to Brussels on an urgent and extremely secret mission.

His aim was to unblock the stalemate between the French government and the European Union competition authorities over a rescue plan for the state-owned French bank. Unless an agreement could be reached within the next few days, Crédit Lyonnais – one of the largest banks in Europe – risked collapsing, with huge international financial and political repercussions.

Pascal Lamy was the best qualified man for the challenging weekend ahead. One of the four members of the executive committee of Crédit Lyonnais, he was also the ultimate political insider in Paris and Brussels alike.

Formerly a senior civil servant, he was chief of staff for a decade to Jacques Delors, president of the European Commission until 1995. A tall, lanky figure with close-cropped hair, Lamy was the realist to the visionary Delors, the hard man who made things happen in Brussels, building a network of loyal supporters who became known as the Stasi.

Yet even for someone instrumental in the negotiations which led to the creation of the single European market and the Maastricht treaty on monetary union, Crédit Lyonnais presented Lamy with one of the biggest challenges of his career.

Since joining Crédit Lyonnais, he had scarcely set foot in Brussels. Concerned about potential conflicts of interest with his old job, he preferred to concentrate on the practical task of restructuring the bank.

Only an extraordinary event would draw him directly into the talks about a new rescue plan that had been dragging on for over two years. That event had taken place at the start of the same week, raising the negotiating stakes to conditions of near panic.

For months, Karel Van Miert, the Belgian competition commissioner, had been looking for a fight. A taciturn, placid-looking man, Van Miert was liable to periodic outbursts of anger. No case he had examined since his appointment in 1992 triggered his ire more than Crédit Lyonnais.

It had incurred huge losses through a combination of mismanagement, misguided business ventures and reckless lending to corrupt businessmen, some linked to political parties.

EU officials say it was only in 1994, by reading articles in the French press, that they learnt of an initial rescue plan to deal with the bank's poorly performing property loans. But as the extent of the losses became clear in subsequent months, the French government had no choice but to broker a far more ambitious second plan – and to seek Brussels approval.

Van Miert was liable to outbursts of anger. No case he had examined since his appointment triggered his ire more than Crédit Lyonnais

With general elections approaching in spring 1995, Edmond Alphandéry, the economics minister in the centre-right government, uttered a phrase which would become notorious: "The plan will not cost the taxpayer a penny."

An EU official says: "We were debutants. We had never examined a case of state aid to a bank." The Commission largely accepted on good faith the figures and commitments given in the plan, which it calculated would ultimately cost FFr45bn ($7.6bn): the largest rescue ever examined by Brussels.

Van Miert insisted on asset sales by Crédit Lyonnais beyond those proposed by the French government. In a secret letter to Van Miert, Alain Madelin, the finance minister, agreed in summer 1995 that the bank would reduce its European commercial presence outside France by half.

That irritated Jean Peyrelevade, the cigar-puffing chairman appointed to save Crédit Lyonnais in 1993, who would soon recruit Lamy – a fellow Socialist and friend – to work alongside him. But Peyrelevade, whose periodic tactic was to threaten to resign if he did not get his way, also sparked personal animosity with Madelin and his successor, Jean Arthuis.

Some EU officials also describe Peyrelevade as arrogant and unco-operative. Van Miert certainly believed that the Crédit Lyonnais chairman stalled in implementing the plan's requirement to sell foreign assets.

Van Miert became equally frustrated with the French administration. A "zero coupon bond" agreed in the 1995 to help finance the bank's losses was never launched. Asset disposals were falling behind schedule, even as estimates of the eventual losses were escalating.

Then during 1996, Arthuis "put a knife to our throats", as one EU official says. He argued that the cost of the loan imposed on Crédit Lyonnais as part of the plan was becoming too great, and risked permanently hindering its turnaround.

Van Miert agreed an emergency package in September that would ease the short-term financial pressure while a new plan with substantial new penalties was swiftly prepared. Yet despite frequent demands from Brussels, the months passed without any response.

Arthuis says a new plan was ready by spring 1997, but "it was braked by the Matignon", the office of Alain Juppé, the prime minister. Traumatised by the failure of the privatisations of Thomson and GAN at the end of 1996, Juppé was nervous about a sale. Then President Jacques Chirac called snap general elections. Crédit Lyonnais was forgotten.

It was only with the victory of the leftwing coalition in June 1997 that work resumed in earnest. Dominique Strauss-Kahn, the ebullient new economics minister, quickly forged a better working relationship with Van Miert, a fellow Socialist. By July, a plan had been submitted to Brussels.

But Van Miert was not satisfied. He resolved to impose extremely tough conditions in exchange for the state aid plan, which was the one on which his own tenure as competition commissioner would be judged.

He wanted to weaken Crédit Lyonnais – with asset sales of FFr620bn – to the point that it would be forced immediately to find a single buyer to wrest it from French state control.

Strauss-Kahn ceded some ground in the following months, offering concessions such as the sale of the bank's profitable Belgian subsidiary. But – with firm support from Lionel Jospin, the new prime minister, as well as Peyrelevade – he resisted anything that would threaten the bank's independence.

Strauss-Kahn (left) resisted any threat from Van Miert to the bank's independence

Van Miert finally decided to play his most powerful card. Secretly, he commissioned a report analysing the risks of his ultimate threat: to block the plan, forcing Crédit Lyonnais to repay all the state aid and risking its bankruptcy. "It concluded that liquidation would not produce an earthquake in the banking sector," says one EU official.

The *coup de grâce* came on April 20. Van Miert held a briefing specifically for French journalists, pronouncing the word "bankruptcy" for the first time. The result was rapid and furious. The next day, the French press reported his words. The Bank of France received many calls from depositors. Crédit Lyonnais was contacted by worried foreign banking regulators. Up to FFr1bn in cash was withdrawn from the bank.

It also spurred Lamy into action and he won approval for high-level talks in Brussels with Van Miert. The timetable was very tight. If catastrophe was to be avoided, the discussions would have to take place during the first weekend of May, under cover of the historic EU summit in Brussels which would choose the countries adopting the euro and pick the new European Central Bank's president.

Peyrelevade had already agreed with Strauss-Kahn the wording of a draft press release that would be released on Monday May 4 if the talks failed, reassuring depositors that the French government would underwrite the bank and protect their savings.

The two men left for Brussels in Strauss-Kahn's aircraft, while Lamy took the train with other members of the bank's team.

Eager to ensure confidentiality, the negotiators met away from Commission buildings and packed hotels, in France's permanent delegation to the EU in Brussels. Throughout the weekend, Strauss-Kahn shuttled between the EU summit and the Crédit Lyonnais talks, where Lamy remained with the French government's and Van Miert's teams. In a separate room, Peyrelevade prepared frequent notes to help him.

Keeping the talks secret – and the provocative presence of Peyrelevade low-profile – was not easy. On Saturday evening, the complete Crédit Lyonnais team dined in the Brussels Hilton, where they noticed a French television crew. "If it had been a newspaper team, we would have been done for," says one negotiator. But the TV crew did nothing.

On Sunday lunchtime, Van Miert's team was dining in the Danish Tavern, when into the same restaurant – one of the few open in the area near the French delegation – walked the entire Crédit Lyonnais team, including Peyrelevade himself.

The French side remained intransigent during the talks on controlling how privatisation should take place. Van Miert stuck firmly to his objective of FFr620bn in asset sales. But there was intense bargaining around the precise list of assets to be sold.

"It was a question of having the power to speak and listen, and removing all the sedimentary layers of incomprehension that had accumulated from the past," says one who was present. It was after 10pm on Sunday before the rudiments of an agreement had been thrashed out.

The final deal differed little from proposals made by France several months before, many of which had been in the original 1995 plan. "I always thought that with rational people, we would arrive at a rational solution," says one negotiator. "But there was always that risk that emotions would drive things out of control."

Van Miert believed his brinkmanship was necessary to force France into action. Others argue that his threat was destabilising, and, by triggering the involvement of Jospin and Jacques Santer, the Commission president, it ultimately forced him into concessions.

His outburst certainly helped bring the two sides together. But it was unlikely that the plan could have been rejected. In political even if not in financial terms, Crédit Lyonnais was the bank that was just too big to fail.

Additional reporting by Lionel Barber and Samer Iskandar in Brussels, and Robert Graham in Paris

Kiriyenko tries to calm miners' protests

By Chrystia Freeland

Russian coalminers stepped up their nationwide protest yesterday, heightening the pressure on a government already struggling to prop up the rouble and calm nervous financial markets.

Union leaders urged miners to stop work in protest at months of unpaid wages. Their call for an organised walk-out followed days of wildcat action, including a rash of hunger strikes and blockades of some of Russia's main railway arteries.

Senior officials said that President Boris Yeltsin planned to convene a crisis commission, including parliamentary leaders and the prime minister in early June.

Since the collapse of communism, worker protests have been frequent but they have rarely been nationally organised and have had little effect on politics in Moscow. But this week's actions have already have some palpable economic impact. Miners blocking the Trans-Siberian railway have forced several factories to stop or slow down their operations. The transport ministry said the railways were losing millions of dollars every day.

The unrest has broken out at a bad time for the economy, which earlier this week suffered its worst financial crisis of the past 18 months. Sergei Kiriyenko, the new prime minister, who is struggling to resurrect faith in Russia's shaky currency and capital markets, told miners the government was sympathetic to their woes, but would not break its budget to help them.

"We cannot create new debts in order to solve short-term immediate problems or in order to please somebody or to cause fewer objections from society," Mr Kiriyenko said. "I understand this may spoil the public attitude toward the government and its popularity, but we are responsible not only for putting out today's fire, but also for the future of the country."

Mr Kiriyenko said Moscow would send more than Rbs400m ($66m) to the coal-mining regions to help pay back wages.

Yesterday brought little respite in a financial crisis which has shaved off nearly a quarter of the value of the stock market in the past week and depleted the central bank's hard currency reserves.

However, Russian officials were hoping for help from the International Monetary Fund, saying the IMF and Moscow were close to a deal on the release of a $670m tranche of the fund's three-year loan to Russia.

Coalition for Hungary?

By Kester Eddy in Budapest

Hungarians head into the decisive second round of a general election on Sunday with the ruling Socialist party's future in doubt after the success of centre-right opposition parties in the first round two weeks ago.

The Socialists led in the first round with 32.3 per cent of the vote, slightly down on their performance four years ago. But the Fidesz-Hungarian Civic Party, led by Viktor Orban, stormed into second place with 28.2 per cent on a programme promising to fight corruption, improve law and order and accelerate economic growth.

The outcome is still uncertain, given the complexities of the electoral system, but analysts are cautiously forecasting a Socialist-Fidesz coalition or new elections in September.

The other main possibility is a rightwing coalition between Fidesz and the conservative, populist Smallholders' party. But analysts believe it would be unstable and potentially damaging for Fidesz's image.

Voter apathy played a key role in the first round. The 56 per cent turnout was sharply down from 69 per cent in 1994, allowing the far-right MIEP under Istvan Csurka to enter parliament after it gained the minimum 5 per cent of the votes required. Both Fidesz and the Smallholders have rejected co-operation with the MIEP.

Financial markets have been worried by Fidesz's promises of tax cuts without any corresponding reduction in expenditure. The Budapest stock market fell by more than 8 per cent in the first three days after the first round.

Meciar changes poll rules

By Robert Anderson in Bratislava

Slovakia's controversial prime minister, Vladimir Meciar, has angered his opponents by pushing through amendments to the electoral law designed to increase his government's chances of victory in a general election next September.

Western countries have long accused Mr Meciar of failing to respect democratic procedures and have cited this as a reason to keep Slovakia out of the first waves of Nato and European Union enlargement.

On Wednesday evening, Slovakia's parliament agreed that all electoral coalitions would have to win 5 per cent of the vote for every party they contain, rather than a total of 10 per cent as at present for coalitions of three or more parties.

Each party in the five-party opposition Slovak Democratic Coalition would therefore have to win 5 per cent to be represented in parliament.

Other amendments strengthen the role of the state in running the election and make scrutiny of the electoral lists more difficult.

The amendments, passed one month before the election is due to be called, end a debilitating period of uncertainty over the rules under which the poll will be fought. "Now the rules are clear," said Milan Ftacnik, a deputy for the opposition Party of the Democratic Left. "Now we have to win under these conditions, however unfavourable they are."

Slovakia has been in a constitutional crisis since March, when Mr Meciar took over many of the powers of the outgoing president, Michal Kovac, who stepped down without a successor.

Portugal exhibits self-doubt despite launch of Expo '98

Celebratory atmosphere surrounding world fair in Lisbon clouded by fears for future sustained development, reports **Peter Wise**

As Vasco da Gama set sail from Lisbon five centuries ago to discover the sea route to India, an old man on the quay is said to have shouted that the voyage was a vainglorious attempt to find riches and fame which would lead to death and misfortune.

Echoes of his warning, an expression of Portugal's enduring tendency to belittle its own potential, can still be heard as Expo '98, the biggest world fair to date, opens on the Lisbon waterfront today. The party has only just begun, but Portugal is already worrying about its hangover.

The exposition, expected to attract more than 8m visitors over the next four months, is based on the theme of the oceans and intended to commemorate the golden age of Portugal's maritime discoveries, symbolised by da Gama's landing on India's Malabar coast 500 years ago today.

But the $2bn project, the most ambitious event ever staged by the European Union's poorest member after Greece, is essentially a celebration of modern Portugal, a country proving to the world and itself that, if not riches and glory, at least average western prosperity is within its reach.

Only three weeks before the opening of Expo '98, Portugal achieved the political and economic goal that has shaped the nation's ambitions for the past decade when it qualified to join 10 other EU countries in launching the single European currency next January.

But, like a ghost at the feast, a feeling of apprehension is troubling many Portuguese at the peak of their country's success. They fear not only "post-Expo depression" – the removal of an important stimulus to economic growth and employment – but also that, after the euro and the world fair, Portugal will be left adrift without a "big idea" to carry the country forward.

In the view of António Guterres, the Socialist prime minister, this is a self-defeating perspective that has held Portugal back in the past. "We have proved we can do it," he says of joining the euro – a reproach not only to some north European governments that had expressed "deep scepticism" over Portugal's capacities, but also to detractors at home who believed, like the old man on the quay, that the country was overreaching itself.

In the same way, the conception, construction and running of Expo '98, is proof of abilities that Portugal has not traditionally recognised in itself, says António Costa, the government minister responsible for the exhibition. "Expo '98 overturns our established view of ourselves that 'this is Portugal and things don't work'. That is important for our self-esteem," he says.

In less than five years, a 60-hectare wasteland along the Tagus has been transformed not only into an exhibition site featuring futuristic architecture such as the Oceans Pavilion, Europe's biggest aquarium, but also into a residential, office and leisure development.

Qualifying for the euro and putting together Expo '98, where almost 150 countries will be exhibiting, more than at any previous world fair, have shown Portugal has the capacity to overcome its own misgivings about the country's potential.

But they have also forced the Portuguese to acknowledge what they recognise to be a less palatable national trait: that Portugal needs targets, deadlines and standards to be imposed from the outside, even if self-originated, to work at its best.

"We sometimes need an outside stimulus," admits Mr Guterres. Meeting the criteria for European monetary union has spurred Portugal to discipline its public finances so that is can enjoy economic growth, expected to average at least 4 per cent from 1997 to 1999, with inflation and the budget deficit at historic lows.

It was with a view to defining a post-euro objective that the government met last weekend with the leaders of Portugal's 40 biggest business groups. But no goal as invigoratingly specific as the Emu criteria or today's deadline for opening Expo '98 has yet emerged.

The old man on the quay was wrong about Vasco da Gama. But his descendants in the form of TV and newspaper commentators warn that the country soon squandered the wealth and power of empire. The challenge when Expo '98 closes in September is for Portugal to chart its own course of sustained development.

NEWS DIGEST

ITALY'S JUDICIAL SYSTEM

Justice minister 'not to blame' for escapes

The Italian government defused a political crisis over the judicial system's failings yesterday as members of the centre-left coalition rallied to support the beleaguered justice minister, Giovanni Maria Flick.

After a confusing spectacle in which Mr Flick first tendered his resignation to Romano Prodi, the prime minister, and then withdrew it, government members took the view that the recent escape from custody of two of Italy's most notorious criminals was not the minister's fault and that the system of justice in Italy was to blame.

The recent disappearance of Licio Gelli, the man at the heart of the 1982 collapse of Banco Ambrosiano, and of Pasquale Cuntrera, a top Mafia boss, has exposed a key problem with the system: it takes 10 years on average for a criminal trial in Italy to be completed. **James Blitz, Rome**

CROATIAN REFORMS

OSCE criticises slow pace

The 54-nation Organisation for Security and Co-operation in Europe has blasted Croatia for its failure to undertake genuine democratic reform, allow Serb refugees back or encourage Serb residents to stay.

A report by the OSCE mission in Croatia criticised virtually every aspect of Croatian political life – from legal reform to election laws, media control by the ruling party and harassment of the Serb minority. Measured by the standards of western Europe, which Croatia aspires to join, the OSCE indicated the country falls far short of the mark.

The report said Croatian authorities had blocked the return of most of the 190,000 Serbs who fled Croatia in 1995, when its troops recaptured areas seized by the Serbs in 1991. **AP, Vienna**

SINGLE CURRENCY

IMF in warning to Greece

The International Monetary Fund has warned that Greece must adopt tighter policies if it is to qualify for membership of the European single currency by January 1 2001.

In a report made public yesterday by Greek officials, the IMF called for additional measures to offset the inflationary impact of a 12.1 per cent drachma devaluation in March. Inflation jumped from 4.6 per cent in March to 5.4 per cent in April. Greece should "err on the side of caution" and introduce spending cuts to reduce the budget deficit below this year's target of 2.4 per cent of gross domestic product, it said. **Kerin Hope, Athens**

EU EXPANSION

Turkey to boycott meeting

Turkey will boycott a key meeting with the European Union next week in anger at being left out of EU expansion plans, a source close to the government said yesterday. "We have reached the point where the association council [meeting] cannot take place on Monday," the source told reporters.

The source complained of political pressure on Turkey, which is under criticism from the EU over Cyprus, rows with Greece and human rights. **Reuters, Ankara**

HK voters apathetic before poll

Chinese territory election sparks interest abroad only, writes **Louise Lucas**

On Sunday, for the first time in history, people under the communist government of China go to the polls. But it is a moot point how much these "fair, honest and open" elections actually matter.

Hong Kong will be voting at a critical time. The territory is in the grip of the worst economic downturn in a decade: unemployment is at a 14-year high; hospital blunders and food scares have undermined credibility in the medical system; and confidence in the government leader has ebbed to a new low.

A survey released this month by the Hong Kong Transition Project, led by Michael DeGolyer of Hong Kong Baptist University, shows economic concerns are uppermost in voters' minds. Some 57 per cent of its respondents, up from 43 per cent last June, ranked economic concerns top.

But analysts say the candidates for what will be the first elected legislature in Hong Kong since China resumed sovereignty in July 1997 are expending scant energies on the issues which are closest to people's hearts.

Instead, canvassing has been more noteable for small-scale bickering, gross ignorance of key data such as the number of jobless, and clichéd promotions.

Lack of interest has been compounded by what Richard Margolis, vice president at Merrill Lynch, describes as the "rather byzantine details" of the elections. Although 60 seats are being contested, only 20 will be selected by universal suffrage. Of the remainder, 30 legislators will be chosen by a 230,000-strong pool of professional and trade groupings, the so-called 'functional constituencies', and the final 10 by an electoral committee.

Canvassing has been neutered by the absence of a party already in power. Hong Kong's government is nominally politically neutral – the chief executive, Tung Chee-hwa, was chosen by a Beijing-backed committee, and his secretaries are career civil servants.

The political make-up of the legislature returned this weekend is unlikely to differ much from the wholly elected legislature of 1995.

Despite Unionists' muttered calls for welfare payments to address the suffering brought by rising unemployment, there is little danger of big spenders assuming a voice. As Mr Margolis observes: "The consensus about the light-handed approach that has become part of the Hong Kong orthodoxy is pretty deep."

Even if the occasional maverick candidate secured a seat, challenging this orthodoxy would prove frustrating. The Legislative Council passes laws and keeps a check on spending – but its law-making abilities are minimal.

Approval must be sought before introducing a host of members' bills – for example, those related to public spending or the operation of the government – and a new voting system, which requires majorities to be obtained within two parts of the legislature, acts as a further brake.

This will not detract from outsiders' interest in the outcome of the elections. As the first step in a process designed to lead to full democracy – including the election of the chief executive – Sunday's polls will be closely scrutinised.

The results and subsequent exercise of legislative power, says Mr DeGolyer, will have implications for the closely-linked southern coastal cities of China and Taiwan.

In this sense, he says, the elections matter far more outside than inside Hong Kong. For Hong Kong voters, the most wretched aspect of the elections is that he is probably right.

Housing plea

Li Ka-shing, a leading Hong Kong property tycoon, urged the territory's government yesterday to rethink its housing policy as price-cutting on apartment blocks escalated. He said that while public housing was necessary, "whether the government should be building these units at such a rate is something that perhaps it should review". The government has pledged 85,000 new homes a year, 50,000 of which are to be public. But more than 2,000 would-be buyers have forfeited deposits in the face of falling prices and high interest rates.

Korean bank rescue raises doubts over political will

John Burton reports that thousands of jobs will have to go and that heavily indebted chaebol may have to face restructuring

A Won50,000bn ($35bn) state rescue of South Korea's troubled banks forms the centrepiece of what the government of Kim Dae-jung has proclaimed as the "year of restructuring" to haul the nation out of its economic crisis.

But analysts question whether officials have the political will to implement a programme that would cost thousands of jobs as banks consolidate and cut lending to debt-heavy companies during the worst recession in two decades.

"I wonder if the government realises that it may have bitten off more than it can chew," said Henry Morris with Industrial Research and Consulting in Seoul.

The government will recapitalise the banks, buy back bad loans and improve deposit protection under a programme that would place large parts of the sector under state control. Officials said they would force mergers among near-bankrupt financial institutions and expect them to call in loans to "non-viable" businesses.

"The real adjustment process is only just beginning," said Kang Bong-kyun, the senior presidential economic adviser.

Foreign bankers say the government had little alternative to providing state funds to save a financial industry tottering under Won118,000bn in bad loans. It was unlikely that foreign banks would provide the funds needed to recapitalise the banks through equity investments.

But analysts believe that the government may have underestimated the cost of the bank rescue effort. The state-run Korea Development Institute, which drafted the plans, initially estimated the cost at Won67,000bn and some analysts believe that as much as Won100,000bn may be needed if more big conglomerates, or *chaebol*, go bust.

Big bankruptcies seem inevitable if the government decides to use the reformed banking sector to prod the diversified *chaebol* to accelerate restructuring by threatening to withhold credit from those seen lagging.

"Corporate restructuring of the debt-ridden large companies will be pursed in tandem with bank reforms," said Lee Hun-jai, chairman of the financial supervisory commission.

Officials claim they will abstain from directly interfering in bank lending decisions and instead provide transparent guidelines on corporate borrowing. But doubts remain whether the banks, which have traditionally relied on state directives on loans, are up to the task. "The credit analysis in Korea is probably the worst I've seen," said one World Bank official.

Moreover, a banking sector under state control makes it susceptible to political calculations.

A decision yesterday by creditor banks to provide a low-interest Won600bn emergency loan to save the Dong Ah group, Korea's 10th largest conglomerate, from collapse has raised questions about attitudes to credit for dying industrial groups.

Mr Lee, considered one of the top economic reformers, has criticised the banks for propping up "brain-dead" *chaebol* out of fear that a "default on existing debt could endanger the banks".

But he offered a robust defence yesterday of the bail-out of Dong-ah by claiming its failure could have caused a collapse of the nation's financial system.

"The impact of Dong Ah group's fallout would be [up to] Won15,000bn" since it would result in the bankruptcy of hundreds of subcontractors.

He admitted that the rescue of Dong-ah "is somewhat contradictory with the principle we have taken, but that is the fact of the market".

Mr Lee said that Dong-ah could yet serve as a model for *chaebol* reform under bank supervision.

The group's chairman was forced to resign and the banks have taken over management control as they swap debt for equity. Moreover, Dong-ah will concentrate on its core construction business as it sells the rest of subsidiaries.

"Dong Ah is not saved as a group. It will be broken up totally. It's not the same as bankruptcy, but it comes close. We have to compare the social costs between bankruptcy and restructuring. Bankruptcy is not the only way to break up a *chaebol*."

Kim Dae-jung with the IMF's Michel Camdessus at the beginning of the 'year of restructuring'

Editorial Comment, Page 11

Malaysia to spur exports

By Sheila McNulty in Singapore

Malaysia will raise export credit financing facilities to M$4bn (US$1.06bn), from less than M$2bn, with immediate effect in the hope of increasing exports to expedite economic recovery.

Anwar Ibrahim, the Malaysian finance minister, was quoted by the government news agency, Bernama, yesterday as saying M$3bn of the money would go to export credit refinancing and M$1bn to supplier, buyer and overseas investment credit facilities managed by the Export-Import Bank.

Malaysia, like its south-east Asian neighbours, has been hoping to export its way out of the regional crisis. But with domestic financial institutions burdened by mounting unpaid loans, companies have had difficulties obtaining new financing. High interest rates are also serving as a deterrent.

On Wednesday, Mr Anwar announced the creation of an asset management company to buy the non-performing loans and assets of troubled financial institutions to revive and sell.

Taiwan economy achieves growth rate of 5.92%

By Laura Tyson in Taipei

Taiwan's gross domestic product grew at an annual rate of 5.92 per cent in the first quarter of this year, well short of the government's target of 6.18 per cent but above private sector forecasts.

Officials at the cabinet statistics office said yesterday the government would lower its forecast for full-year 1998 GDP growth to 6.02 per cent from the current 6.18 per cent. But it trimmed the inflation forecast for 1998 from 3.01 per cent to 2.5 per cent.

The economic slowdown was attributed mainly to the impact of Asia's financial turmoil. "Economic contraction in the south-east Asian countries and weaker demand from overseas [for Taiwan's exports] resulted in smaller growth of manufacturing production," said the Directorate General of Budget, Accounting and Statistics.

Wei Duan, chief statistician, nevertheless said he expected strong private investment to be the "locomotive of this year's economic growth", suggesting a shift to investment-driven growth from export-oriented growth.

The statistics office forecast exports would decline 2.65 per cent and imports 0.3 per cent in 1998 because of slowing global trade, stagnant growth in mature economies, a slowdown in south-east Asia and depreciation of Taiwan's currency.

Overseas demand for Taiwanese goods fell 3.17 per cent from January to April 1998 compared with a year ago. But Taiwan should end the year with a US$4.75bn surplus, the office predicted.

Taiwan's GDP grew 6.81 per cent last year, recording a strong 7.08 per cent in the fourth quarter alone in spite of Asia's financial turmoil. Economic growth fell below 6 per cent in 1996 but has climbed since.

The Taiwan dollar has fallen 15 per cent in the last year, a modest decline compared with most of its neighbours, which were hit hard by the financial troubles that swept the region from mid-1997. The local currency's relative strength against rival currencies has made some Taiwan goods less competitive.

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Netscape avoids role of 'victim'

By Louise Kehoe in San Francisco

Netscape Communications, the internet browser pioneer at the centre of US federal and state antitrust charges against Microsoft, does not want to go down in history as "the victim".

"Microsoft tried to crush us," said Roberta Katz, Netscape general counsel, but "we are busy rebuilding our business." The once high-flying software venture, which grew rapidly by helping to commercialise the internet, is now refocusing its efforts on corporate networks, internet commerce and related services.

Yet Netscape cannot escape its central role in the US and state antitrust lawsuits against Microsoft. Throughout the lawsuits, Microsoft's moves to allegedly squeeze Netscape out of the market for internet browser software provide the core evidence against the software industry leader.

"A year ago, the internet browser represented 50 per cent of our revenues," Ms Katz said.

To compete with Microsoft – which incorporated its browser program in the dominant Windows PC operating system – Netscape has been forced to distribute its own browser free of charge.

"Microsoft has tried to hide the ball... to misrepresent what the antitrust lawsuits are all about," said Ms Katz. "They would like the world to think this is a commercial dispute between Microsoft and Netscape. It is really about Microsoft violating laws." The federal and state officials are "acting in their roles as prosecutors, not regulators".

Although internet browsers are just one application of PCs, they are critical because they give users access to the vast resources of the internet. "The fear is if one company, Microsoft, controls the browser market, it will have a choke-hold on the internet...internet communications and internet commerce."

The internet is based on "open", or public standards, said Ms Katz. In contrast, Windows is based on Microsoft's proprietary standards. "Microsoft may say that it makes its Windows standards available to other software developers, but it still controls when, how and who can access that technology."

Ms Katz said on this issue "we care very deeply. Everybody who is doing business on the internet should care". Microsoft's efforts to monopolise the browser market could "do very serious harm to consumers".

The issues at stake are much broader than Netscape, Ms Katz insisted. "The personal computer has become the essential tool for doing business. No one company should control it." Although the current cases focus on internet browsers, "nobody said the cases filed this week are the final act," added Ms Katz. The Justice Department investigation is continuing, she noted, so Microsoft's moves to bundle other types of software with its operating systems may also come under scrutiny.

Jim Barksdale, Netscape chief executive: 'We cannot afford a legal battle on our own behalf' AP

Despite the critical role of personal computing, the industry should not be regulated, or have government overseers, Netscape insisted. "The government needs to enforce the antitrust laws now if we are not to get to the point where consumers are demanding government regulation. We very much believe in the power of the marketplace."

For all of its objections to Microsoft's efforts to dominate the internet software sector, Netscape has "no plans at this time" to bring its own lawsuit, said Ms Katz. However, Jim Barksdale, Netscape chief executive, has said the company cannot afford to mount a legal battle on its own behalf. For the moment, at least, Netscape has the combined legal resources of the Justice Department, 20 states and the District of Columbia working on its behalf.

INTERNATIONAL TAXATION ISSUE IS 'QUESTION OF FAIRNESS'

Reform opened up gaping tax loophole

By Gerard Baker in Washington

When the US Treasury simplified its international taxation arrangements in 1996, it had not intended to hand some of the most profitable US companies a sizeable tax break. But that is exactly what it did, largely at the expense of foreign governments.

For more than 30 years, until 1996, a US company that moved passive income – interest, dividends and profits – from one subsidiary in one country to another in a third country had to pay US corporate income tax.

But when the rules were changed that year to simplify treatment of financial transfers, tax accountants quickly realised a gaping hole had opened up.

This is how it works. A manufacturing subsidiary of a US holding company in, for example, Germany can now borrow from a financial subsidiary of the same US holding company in, say, the Netherlands. Interest on that loan is fully tax-deductible in Germany. Treasury officials believe companies have now arranged their international structures so that funds are lent from the Dutch subsidiary to the German operation so the interest payments in Germany are roughly equal to the total profits of the German subsidiary – thereby eliminating its tax liability.

Meanwhile the Dutch subsidiary pays only a very small amount of tax on its income – the spread between its cost of funds and the rate at which it lends to the German sister-company.

The Treasury wants to force companies to pay the US tax as they would have done before the change was introduced in 1996.

"This is really a question of fairness," says an official. "We made the changes to the system that had existed since 1962 to try to help companies with their foreign tax arrangements." This was not to allow them to channel money to tax havens.

Furthermore, officials say the loophole could result in a rapid flight overseas by US companies.

But some of the largest US companies have been quietly lobbying Congress to block the Treasury's plan to close the loophole – and so far have been highly successful. Congress imposed a moratorium on the Treasury's efforts in March and seems likely to impede the administration further when it considers the plan next month.

"The Treasury is always arguing about hypothetical risks. They have yet to demonstrate any actual damage to the US," says Mark Weinberger, a leading Washington lobbyist who has been pressing the companies' case with congressmen. "It's not realistic to suggest the tax treatment issue will persuade companies to invest overseas if they were not already planning to do so."

In any case, members of Congress believe the issue is one of tax policy, not simple administration, and therefore is a matter for them to decide and not the Treasury.

First Microsoft court hearing today

It must win this first phase to safeguard the launch of Windows 98. The odds are not in its favour. **Louise Kehoe** reports

Microsoft will today face the first court hearing in the sweeping antitrust lawsuit filed against the software company on Monday by the US Justice Department – and in this early phase of the case, the odds are not in its favour.

Although today's hearing is merely a scheduling session, it marks the beginning of what may be the most critical part of the antitrust action.

Microsoft must win this first phase if its plans next month to launch Windows 98, a new version of the widely used PC operating system, are not to be placed at risk. Hearing the government's request for a court order forcing Microsoft either to separate its own internet browser software from Windows 98 or to include Netscape Communications' rival browser will be Judge Thomas Penfield Jackson of the US District Court in Washington.

The issue is not new to Judge Jackson. He has already adjudicated in an earlier legal tussle between the Justice Department and Microsoft and ruled for the government.

The Justice Department's legal filing begins with a reprise of the judge's earlier order: "The probability that Microsoft will not only continue to reinforce its operating system monopoly...but might also acquire yet more monopoly in the internet browser market, is simply too great to tolerate indefinitely..." the judge wrote.

Justice Department antitrust lawyers are hoping for a sympathetic hearing of their new request for a preliminary injunction aimed at "preserving the competitive status quo" pending the eventual outcome of the case.

Microsoft, which appeared to antagonise Judge Jackson in the earlier case, cannot be optimistic. When the judge ordered Microsoft to separate its browser from Windows 95, currently the dominant PC operating system, the company complied with the letter – but perhaps not with the spirit – of his direction. It offered PC manufacturers a Hobson's choice: a non-working version of Windows 95 with the browser removed, or the fully functional version including the browser.

This irritated the judge, who rebuked Microsoft in open court and eventually got his way when Microsoft agreed to simply hide the browser from PC users.

Microsoft has already said it is unwilling to give Netscape a "free ride" on Windows 98. However, an order to separate the browser from Windows 98 could potentially disrupt sales, scheduled to begin on June 25.

Microsoft's lawyers are already anticipating a move to the appeals court, where it recently won a favourable ruling limiting the effects of Judge Jackson's order. A ruling on whether to let stand the judge's order is pending.

While it may be years before the courts finally rule on the core charges against Microsoft – the injunction phase of the case could be resolved in a matter of weeks and it will determine, to a large degree, whether the antitrust case will have any short term impact on how Microsoft does business as well as the prospects of its competitors in the PC software market.

Greenspan still wary of fall-out from Asia crisis

By Stephen Fidler in Washington

Asia's financial crisis could still have severe repercussions on the rest of the world economy, Alan Greenspan, chairman of the US Federal Reserve, said yesterday.

"There was and is a small, but not negligible, probability that the upset in east Asia could have unexpectedly large negative effects on Japan, Latin America and eastern and central Europe that could have repercussions elsewhere, including the United States," Mr Greenspan told the House agriculture committee. "While the probability of such an outcome may be small, its consequences in my judgment should not have been left solely to chance."

The committee was examining the effects of Asia's crisis and the International Monetary Fund's actions on US agricultural exports ahead of an expected vote in the House this year on a resolution already passed by the Senate to enlarge the US capital contribution to the IMF.

Mr Greenspan said policymakers were still struggling to come to grips with new "high-tech" financial crises such as those in Asia and in Mexico in 1994-95.

Until new arrangements were in place it was "better to have the IMF fully equipped if a quick response to a pending crisis is essential".

Robert Rubin, US treasury secretary, also told the committee of a risk of "depreciated currencies and shrunken markets" for which greater IMF funding would provide a low-cost insurance policy.

He said that the IMF had about \$15bn of free resources over and above commitments already made, which would not be enough to handle another Asian crisis.

Rumours rife over death of Yabrán

By Ken Warn in Buenos Aires

Argentina's government yesterday sought to distance itself from the death of businessman Alfredo Yabrán, whose body was found in a remote ranch north of Buenos Aires on Wednesday afternoon.

Mr Yabrán went into hiding last Friday after a judge ordered his arrest in connection with the January 1997 murder of photographer José Luis Cabezas. Officials said Mr Yabrán shot himself through the mouth with a hunting rifle as police launched a raid on the ranch.

Ministers insisted the death was a judicial matter with no political implications. The circumstances surrounding the death were "simply matters that the justice system must determine," said interior minister Carlos Corach.

Mr Yabrán was one of Argentina's most controversial figures. In 1995 the then economy minister, Domingo Cavallo, denounced Mr Yabrán as the head of a mafia organisation under the protection of judges and senior politicians. On Wednesday night Mr Cavallo reiterated the charges, calling for a full investigation into Mr Yabrán's "empire of impunity".

His death has produced a fever of speculation.

"There are 33m Argentines," said Christopher Ecclestone of brokers Interacciones. "Not one of them believes this was a suicide."

However, Mr Yabrán's demise may ultimately lift a burden from the government, which was under repeated opposition attack over its links with him. Media revelations of frequent telephone contacts with Mr Yabrán last year cost justice minister Elías Jassan his job.

In 1996 Mr Cabezas took the first published photographs of the reclusive Mr Yabrán. The Noticias news magazine for which Mr Cabezas worked was investigating the businessman's activities.

NEWS DIGEST

BRAZILIAN ELECTION

Rising unemployment hits support for Cardoso

Brazil's general election in October promises to be closer than analysts had predicted after an opinion poll published yesterday showed that President Fernando Henrique Cardoso's ratings are continuing to fall. The poll gave Mr Cardoso 34 per cent support, only nine percentage points ahead of Luiz Inácio Lula da Silva, the left wing candidate.

If the result were repeated in the October election, Mr Cardoso, who is still firm favourite to win, would be forced into a second round of voting. In a poll last month Mr Cardoso scored 36 per cent and Mr Lula 22 per cent. A poll in December gave Mr Cardoso 40 per cent support.

Political analysts said the decline in the president's ratings was the result of rising unemployment, as well as the government's perceived slowness to respond to forest fires in the northern Amazon in March and the drought in the north-east of the country, which has provoked widespread disturbances.

The rise in Mr Lula's fortunes follows the cementing of an electoral alliance last week between his Workers party and two other left wing parties, the Democratic Labour party and the Brazilian Socialist party.

The publication of the poll came as the Brazilian central bank reduced the main interest rate from 23.25 per cent a year to 21.75 per cent, a sharper reduction than financial markets had been expecting. Interest rates were doubled to 43 per cent last October in the wake of the Asian financial crisis. **Geoff Dyer, São Paulo**

ECUADOR POWER

Contracts to stave off cuts

Ecuador will award contracts for emergency electricity generating capacity of 120MW to avoid power cuts in autumn. A decree issued by Fabián Alarcón, president, and the ministers of energy and finance will allow Inecel, the state electricity institute, to agree deals quickly without a long public bidding round.

The contracts are expected to be awarded to private companies that would set up generating plants. They would be paid a retainer to be on standby to supply the grid all year round.

Droughts affecting the Paute hydro-electric plant, which supplies more than 60 per cent of Ecuador's electricity, have led to business losses of up to \$500m a year over the last five years due to power rationing. **Justine Newsome, Quito**

FT EXPANSION

Chicago print site opens

The Financial Times is now printing in Chicago, the newspaper's 12th print centre worldwide. In the US, the FT is also printed in New Jersey and Los Angeles.

The initial Chicago print-run will be 11,000 copies a day, and the FT hopes to double that figure by the end of the year. "Not only is Chicago one of the world's most important financial centres, it is also home to many international companies," said Mr Richard Lambert, editor of the FT, who is currently based in the US to oversee the paper's expansion there.

The Chicago print-run is part of the FT's push to expand its global readership. Since a dedicated US edition was launched in September 1997, US circulation of the paper has risen from just over 30,000 to 55,000 copies a day. Worldwide, the FT sells 359,000 copies a day, an increase of 17 per cent on the figure of a year ago. Overall, 45 per cent of the FT's circulation is now outside the UK. **Peter Martin, London**

Chicago Survey, Separate Section

INDONESIA: AFTER SUHARTO

The final days

May 12

Six students killed in clashes with security forces in Jakarta, the first fatalities in three months of demonstrations

May 13-14

Jakarta shaken by rioting and looting. Ethnic Chinese businesses badly hit. More than 500 killed in fires started by looters.

May 15

Suharto returns early from overseas trip. Orders crackdown on rioters; reverses sharp fuel price rises.

May 16

Evacuation by ethnic Chinese and employees of foreign companies accelerates. Jakarta airport jammed with evacuees.

May 18

Harmoko, Speaker of parliament and close associate of Suharto, calls on him to step down. Wiranto, head of the armed forces, says call is illegal.

May 19

Suharto promises to step down after implementing political reforms and holding parliamentary elections. But he does not give timetable.

May 20

Rais, a leading opponent, calls off mass protest, fearing confrontation with army. Ruling Golkar party calls on Suharto to resign.

May 21

9.00am
Suharto steps down; replaced by B.J. Habibie, vice president.

REACTION

World leaders' sigh of relief

By Our International Staff

US President Bill Clinton yesterday welcomed the decision by President Suharto to step down but indicated he saw the move as only the beginning of the hoped-for transition to democracy. "We urge Indonesia's leaders to move forward promptly with a peaceful process that enjoys broad public support," he said. The US "stands ready to support Indonesia as it engages in democratic change."

US officials remained in doubt that B.J. Habibie, who was sworn in as president to serve out Mr Suharto's term until 2003, would be in power for long.

Ryutaro Hashimoto, Japan's prime minister, welcomed Mr Suharto's resignation but expressed concern at the possibility of further uncertainty in Indonesia. Japanese companies, which have invested heavily in the country, are among the hardest hit by the turmoil in Indonesia.

Mr Hashimoto said his government would continue to support Jakarta and its reforms with aid. Japan – the largest aid donor to Indonesia – has committed \$1bn in yen loans in the wake of the currency crisis.

Leaders in the countries which make up the Association of South East Asian Nations (Asean) welcomed Mr Suharto's resignation, relieved that there had been little bloodshed or social chaos threatening to spill over their borders. But they remained mindful of the message his swift downfall sent to other authoritarian dictatorships in the region. "We hope this will provide a lesson for all of us here in the Philippines as well as in Asean that the right approach... is to stay on the track of reform in consultation with our people," said President Fidel Ramos of the Philippines, an ex-general and veteran of "people's power" protests, who steps down next month.

Malaysia said it would temporarily suspend the deportation of illegal Indonesian immigrants to give a respite to the new government. Thailand's prime minister, Chuan Leekpai, said Asean should do all it could to help Indonesia make a smooth transition.

Portugal's President Jorge Sampaio said "the day of freedom for East Timor is closer" following Mr Suharto's resignation. East Timor was invaded by Indonesia in 1975 after Portugal, the former colonial power, pulled out.

ROLE OF MILITARY GENERALS TAKE PRUDENT PATH TOWARDS CHANGE OF POWER

Army stands firm behind Habibie

By Sander Thoenes in Jakarta

President B.J. Habibie got only one clear endorsement on his first day in office yesterday, but it was one that Indonesians least expected.

Seconds after Mr Suharto resigned and Mr Habibie took the oath of office, General Wiranto, chief commander of the armed forces, took the microphone to announced that ABRI, the armed forces, supported Mr Habibie's presidency.

That the military accepted Mr Habibie at all came as a surprise to many, who thought the leading generals had stuck with Mr Suharto for so long in part because they despised Mr Habibie for his strong Moslem ideology and his success in taking control over military procurement and its lucrative opportunities for payments.

"You could not have had a stronger endorsement by the armed forces," said Salim Said, a military historian in Jakarta. "Why? Because it is constitutional. The armed forces would like to have political change. This procedure is the constitutional way to bring down Mr Suharto."

Juwono Sudarsono, the environment minister and former military analyst, said "the military has found it prudent to accept him, at least as a temporary head of state, if only because if Gen Wiranto were to take over there would be some suspicion that this was an apparent grab for military power".

Some Indonesian analysts say Gen Wiranto's most powerful rival in the military, Prabowo Subianto, an ambitious commander who is son-in-law to Mr Suharto, has been close to Mr Habibie. Both generals may have decided that unity of the military was best served with Mr Habibie, at least for a transition period.

But Mr Salim said the military could even let him run for the full five-year term, "provided Mr Habibie does not cause any problems that would create an excuse for bringing him down. Suharto went down because the people did not like him any more. If there is a constitutional challenge to Mr Habibie the army will not go against the constitution."

Even if the army is willing to support Mr Habibie indefinitely, much of Indonesia's society either rejected him outright yesterday or gave him only a grudging, conditional, temporary go-ahead. Amien Rais, Indonesia's leading opposition leader, voiced what appeared to be the view of many when he welcomed the peaceful transition but withheld endorsement of Mr Habibie until the presentation of a new cabinet.

"If it consists of corrupt people, if it stinks with nepotism, then I will not endorse it," he said. "I think Habibie is expected to have a provisional government. Maybe after three or six months at the most, Habibie has to go, too."

Mr Rais and other leaders urged general elections within six months, followed by a session of the People's Consultative Assembly, which incorporates parliament and 500 appointed members. The assembly would then elect a new president and vice president. Most students, by contrast, demand an urgent assembly meeting to elect a new president, rejecting Mr Habibie outright.

"I'm really happy now but it's not finished," said Nanan Iriyanto, an economics student of Mercu Buana University who joined a student celebration outside parliament. "We must destroy all of this regime. Whoever becomes our president is OK, as long as he is capable. But not Habibie, because he is part of this regime."

Mr Habibie goes down as poorly with foreign investors, who distrust his interventionist, expensive and erratic economic theories. Domestic investors are wary of the dozens of companies run by his family, which has profited from his proximity to power, much like the Suharto family. The ethnic Chinese business community is especially wary, fearful Mr Habibie's strong Moslem views and support for non-Chinese businesses.

"To be fair to him, he also enjoys some confidence among some students and the middle class, who bought his vision of high-technology development," one diplomat said. "But for most people, he is a Suharto crony."

Indonesia's democratic options

Three constitutional paths to a more popular government

1. President Habibie calls special session of People's Consultative Assembly, the highest legislative body, and seeks backing for more democratic electoral laws and early poll. A new parliament, with 500 delegates appointed by the president, would form a new PCA which would then appoint a president.	2. Habibie ignores calls for early elections and students persuade parliament leaders to call a special session of the assembly, as they had threatened to do if Suharto had not resigned. Such a session could impeach Mr Habibie or call general elections without his approval.	3. President Habibie ignores calls for early general elections and gets away with it. General elections would be held in 2002. The assembly would meet as scheduled in March 2003 and elect a president and vice president. Half the members of the assembly would be appointed by Habibie.

Habibie yesterday

AMIEN RAIS SMART TACTICIAN WHO HAS WON WIDE SUPPORT

Moslem moderate's style achieves goal

By John Ridding in Jakarta

It took Amien Rais almost half an hour on Wednesday to travel the few hundred yards from the gates of Indonesia's parliament to the platform from where he was to address a crowd. A throng of cheering students jostled and slowed his steps.

Such was the support for the Moslem academic and opposition leader who emerged at the forefront of moves to unseat President Suharto. "All Indonesian people trust Amien Rais," said Edwin, an economics student at the University of Indonesia. He was one of more than 10,000 who had occupied the country's parliament, demanding Mr Suharto step down and end his 32-year rule.

That demand was met yesterday, transforming Indonesia's political landscape and raising the prospect of further political upheaval. In spite of lingering question marks over the speed and scale of further change, Mr Rais will clearly be an important player.

"He must be seen as a major figure who had the moral courage to go out and challenge Suharto when everyone else was quiet," said Alan Dupont, fellow of the Security and Defence Studies Centre at the Australian National University.

Rais at a press conference yesterday

Yesterday, Mr Rais set out his terms for the new regime, accepting Mr Jusuf Habibie's appointment as the new president, but signalling this should be a transitional phase and that his support for the government was highly conditional. "I think Habibie is expected to have a provisional government, for three or six months at the most," said Mr Rais.

The Moslem leader said he would support the new government if it was "clearly made up of honest people in touch with community feelings. But if it consists of corrupt people, if it stinks of nepotism, then I will not endorse it."

Diplomats said the new regime would soon run into opposition if it ignored the demands of Mr Rais and other leading opponents of the Suharto government. But whether this means a role for Mr Rais in any transitional administration was less clear.

Also unclear is Mr Rais' ultimate objective. "He is clever and ambitious and I think he does have an eye on the main prize," said one diplomat. "But his relations with the army are a little suspect, though better than they were, and he has no experience in government."

He does have a power base. Mr Rais is head of the 30m-strong Muhamaddiyah movement, one of the biggest Islamic groups in the word's largest Moslem nation. Over the past few years he has emerged as the Suharto regime's leading Moslem critic, angering the president by suggesting the first family had broken the constitution in a scramble for shares in a goldfield.

But in spite of his sharp tongue, the owlish Mr Rais is no firebrand. That was underlined this week when he called off a planned 1m-strong march on the presidential palace to demand Mr Suharto's resignation.

Fearful of more violence, Mr Rais, called off the march. "I don't want to see more bloodshed, more unnecessary victims," he said. The Moslem leader said he had been warned that the military had been prepared for a Tiananmen-type response, referring to the bloody army crackdown in Beijing in 1989.

While some students responded with disappointment to the cancellation of the march, Mr Rais achieved his objective. "We will say goodbye to Mr Suharto," he said in the early hours of yesterday morning, the first to break the news.

Mr Rais's moderate style fits well with Indonesian Islam. The large majority of the country's Moslems practice a tolerant form of the religion, having little time for hardline adherence to the Koran or to evangelical tendencies within the religion.

But questions remain about Mr Rais' stance towards the ethnic Chinese community. Although less than 5 per cent of the population, ethnic Chinese account for most of its private wealth. They have become scapegoats in the latest unrest, fuelling fears of growing ethnic divisions and a further economic collapse.

Some are suspicious of Mr Rais on this score, partly because of populist jibes he has made in the past against the ethnic Chinese. "That remains an issue of concern, but it seems he has toned down the rhetoric," said one diplomat yesterday.

One positive sign was Mr Rais's condemnation of recent anti-Chinese riots. Another was his reaction to Mr Suharto's meeting with other Moslem leaders this week, called in an attempt to bolster support for his regime. Mr Rais condemned the talks, partly because they excluded reformists from outside the Moslem community. That smacked of a smart tactician, one who could yet end up holding the levers of power.

THE NEW LEADER STUDENTS AND INVESTORS HAVE DOUBTS ABOUT SUHARTO SUCCESSOR

Habibie will be hard-pressed to win legitimacy

By Sander Thoenes and John Ridding

When President Suharto bowed his head, took one step back and made room for B.J. Habibie to take the oath yesterday, he averted a messy impeachment by parliament, a military coup or popular revolt that could have ended in bloodshed in the world's fourth largest nation.

Mr Suharto, 76, and his eldest daughter left the presidential palace in an armoured Mercedes-Benz with civilian number plates (his old Mercedes was kept aside for Mr Habibie). But Mr Suharto kept an escort of 10 cars and won a public pledge of protection from General Wiranto, commander of the armed forces.

Mr Suharto's economic legacy – though recently tarnished – remains enviable. The fast improvements in infrastructure, nutrition, welfare, education and health – financed with oil revenues and a 30-year foreign investment boom – can spur a rapid revival of his economy if and when investor confidence returns.

Yet there is little cause for cheer to many Indonesians, nor for the foreign investors and neighbouring countries that eventually turned against Mr Suharto. While Mr Suharto's resignation is a step towards peaceful political change, many regard Mr Habibie as cut from the same cloth.

Mr Habibie has not been endorsed by any major movement other than the military. He has got only conditional, and grudging, acceptance from opposition leaders. They will shy away unless he guarantees speedy elections and presents a credible cabinet within days. He promised reforms but failed to mention elections.

Most students rejected Mr Habibie outright and demanded an extraordinary session of the People's Consultative Assembly, the highest legislative organ which combines parliament and 500 appointed members, to appoint a new president and vice president.

"The students stand by their principle – no more corruption, no more nepotism," said Anwar Nasution, a critical economist. "Mr Habibie is part of that. It's difficult to sell the guy."

Mr Habibie has few friends in the People's Consultative Assembly, which may gather to vote on his mandate if elections are not held soon. It elected him by consensus in March but only under pressure from Mr Suharto. Many expect it to favour Try Sutrisno, the previous vice president, or Mr Wiranto, but the student movement may have enough momentum to push for a more radical alternative.

"There is no one obvious person," said Alan Dupont, fellow at the Centre for Security and Defence Studies at Australian National University. "We may well see a government of national unity, which may include Amien Rais, Try Sutrisno and possibly even Ginanjar" (Kartasasmita, the minister for economics, finance and industry). "Whoever it is must have the support of the armed forces."

So Indonesia has won some respite, but not much. "The most benign outcome would be political reforms leading to elections six to nine months from now," said Charles Blitzer, director for emerging market research for Donaldson, Lufkin & Jenrette, a US investment bank. "What the markets are looking for is not a dramatic turnaround but some quiet."

The economic crisis which brought down Mr Suharto still rages on and could well bring down Mr Habibie, whether he implements political reforms or not.

Mr Habibie has said little about his economic views since he became vice president, but his past comments have unnerved investors. When Mr Suharto announced his choice for running mate in January, the rupiah plunged to an historic low of Rp17,000 to the US dollar – a level it did not reach even during last week's riots. His nationalist, interventionist and expensive industrial policy as minister for science and technology for 20 years, when he ran 10 of Indonesia's largest state enterprises, highlighted much of what brought Indonesia its current economic crisis.

"Habibie would not be the investors' first choice," Mr Blitzer said. "But the key is political legitimacy. If he gets the support of the Indonesians, people in the markets could work with him."

Iran raises objection to undersea pipelines

By Charles Clover, Robert Corzine and Carlotta Gall in Almaty

Iran is expected to oppose the construction of oil pipelines under the Caspian Sea for environmental reasons, in a development that could further undermine US diplomatic efforts to orchestrate an oil export route from central Asia bypassing both Iran and Russia.

"They [The US] cannot ignore Iran in terms of geographic position," said Hassan Kashkavi, Iran's ambassador to Kazakhstan yesterday. He said that the Caspian Sea was unsuitable for undersea pipelines because it is earthquake-prone, and that building such a line could cause an environmental catastrophe. His comments came as Iran redoubled its efforts to convince western companies and central Asian governments that its territory is best for oil export pipelines from the region, in the wake of Washington's decision earlier this week to issue waivers to European energy companies doing business with Tehran.

That decision is seen by many observers as the beginning of the end of US attempts to prevent Iran from becoming a key conduit for oil and gas exports from the Caspian Sea region and central Asia. Although unilateral US sanctions have not prevented foreign investment in Iran's petroleum industry, they have deterred many companies from considering Iran as an export route. There is also a budding recognition in the region that Iran will be one of the keys to securing the economic independence of central Asia from Russia.

If Iran could make its objections to undersea pipelines stick, potentially with the aid of Russia, it would undermine plans for a US-backed trans-Caspian pipeline scheme to carry oil and gas from Turkmenistan and Kazakhstan to Azerbaijan via an undersea line, and then on to Georgia and Turkey. The trans-Caspian project was originally conceived as a way to link oil and gas exports from countries friendly to the US in such a way as to satisfy the geopolitical objectives of keeping Iran isolated, and finding an alternative to Russian territory for such pipeline routes. Most of central Asia's oil is exported via Russia, which US officials suspect of trying to maintain its historical hegemony over the region.

New party authorised in Iran

A high-powered group of officials backing Iran's moderate President Mohammad Khatami has won government permission to form a political party with Tehran's controversial mayor as its one of its leaders, Reuters reports from Tehran. The party is among the first authorised in the country since the years after the 1979 Islamic revolution.

Gholamhossein Karbaschi, the mayor of Tehran, who was jailed for 11 days last month during an investigation of graft charges, is the new party's secretary-general, the daily Iran News said.

Civilians suffer as Sierra Leone's ousted military junta takes to the bush

Michael Peel meets refugees with tales of atrocities carried out by the defeated rebels

Agnes Momoh, a teacher, speaks with professional clarity and calmness about the murder of her son by anti-government rebels in Sierra Leone. "They started opening houses and killing people," she says.

"We opened our own doors and tried to escape but in the process they shot my boy in the stomach. Then they sat in the door and shot me in the back."

She pauses to allow her listeners to catch up before recounting the fates of the other members of her family. "They killed my husband. My daughters have gone somewhere. I do not know if my other son died there."

Ms Momoh managed to escape over the border to Liberia. She is one of many refugees who describe acts of indiscriminate barbarity carried out by the Revolutionary United Front (RUF), and the other supporters of the military junta deposed earlier this year by Ecomog, the Nigerian-led West African peacekeeping force.

The junta had been in power since last May when it overthrew Ahmad Tejan Kabbah, the elected president.

Members of the junta, including Johnny Paul Koroma, the leader, are now hiding in the bush in the north and east of the country. The rebels use the area as a base to attack Ecomog-controlled areas, or villages full of civilians. As one refugee puts it: "They kill the people, take what they want and go back into the bush."

It is unclear how much land is under rebel control. But their presence has been intimidating enough to cause tens of thousands of people to flee to Liberia, where many are staying in and around the town of Vahun, 9km from the border.

The rebels seem to be particularly active in the part of Sierra Leone to the west of Vahum. Refugees report that they have struck at Pendembu, 12km from the border, and Segbwema, a further 30km inland.

They also seem to be strong further north, near the border with Guinea. They reportedly outnumber Ecomog troops by more than two to one in the area around Kono, which lies in the heart of the diamond mining region.

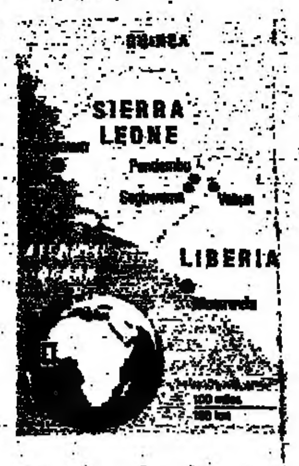
The rebels rely on speed and ruthlessness rather than firepower

The rebels have been able to exploit the proximity of the Liberian and Guinean borders to keep themselves supplied. The RUF has close links with the remnants of the National Patriotic Front of Liberia, the officially-disbanded Liberian military faction formerly led by Charles Taylor, now president. There are reports that members of both the NPFL and the Liberian army have crossed the border to assist the RUF in Sierra Leone.

RUF members have made the trip in the other direction. There are an estimated 2,000 rebel fighters at the camp at Vahun, and the Liberian government said last week that it would allow Ecomog to deploy troops on the Liberian side of the border to help prevent further incursions.

Although the RUF can probably sustain itself as long as the cross-border supply routes remain open, it seems to lack the artillery and vehicles to launch sustained bombardment of Ecomog forces. The rebels rely on speed and ruthlessness rather than firepower.

Ms Momoh, who is from Segbwema, says the RUF rebels attacked residents as a reprisal for their failure to take the town from Ecomog control. She says: "When the rebels saw they could not defeat them [Ecomog], they started to kill people. There was no one to defend us."



There are few clues to the scale of the terror the RUF is inflicting on the people of eastern Sierra Leone. Almost all the refugees who arrive in Liberia are suffering from infections and illnesses rather than injuries sustained as a direct result of conflict.

But there is evidence at Vahun of widespread bereavement. Relief agencies hold regular counselling sessions on subjects such as "sharing traumatic experiences", "loss and grief" and "death and dying".

Few refugees foresee an end to the trauma. Many want the government to negotiate with the rebels to end the violence. Braima Momo, a farmer, says: "Let them sit together. I want a peace."

Algerian ceasefire divides leadership of banned party

Leader questions deal between FIS's armed wing and the army. **Roula Khalaf** reports

A truce declared eight months ago by the armed wing of Algeria's Islamic Salvation Front (FIS) has plunged the banned party into turmoil and divided its leadership.

The ceasefire led another 10 small armed groups also to lay down their arms, and raised the possibility that the Algerian regime would restart talks with the FIS, the party which had been poised to win elections cancelled by the army in 1992.

The Armed Islamic Groups (GIA), made up of shadowy extremists, remains opposed to the truce. The ceasefire did not end more than six years of violence. Instead it provoked massacres against FIS families.

Less visible, however, has been the reduced pressure on security forces in the east and west of the country where fighters of the FIS's Islamic Salvation Army (AIS) have been helping the army against the GIA, with tip-offs and intelligence.

Perhaps even more important, the truce is leading to reconciliation between families and communities which have been on opposing sides for more than six years.

But with the FIS having failed to make any political gains, the party's leadership is split on whether to continue supporting the truce.

Those in exile, led by Bonn-based Rabah Kebir, insist it remains worthwhile. But Abdelkader Hachani, the FIS' third in command, has warned the ceasefire has dealt a severe blow to an already battered movement.

According to an FIS official close to Mr Hachani, the FIS leader now believes the army never intended following up the truce with a political agreement. Mr Hachani fears a truce devoid of political consequences will be short-lived.

"The FIS has nothing to do in form or substance with what Madani Mezrag [who heads the AIS contacts with the regime] is doing," says the official close to Mr Hachani. "We are trying to give as little importance as possible to the truce, which will end up in disaster and will lead to a loss of credibility of part of the AIS."

Disagreements among FIS leaders have been part of the its short history.

But an end of support for the truce by Mr Hachani, who led the FIS in the elections six years ago, risks undermining the ceasefire and discouraging other groups from joining it.

The problem for the FIS political leadership is that the truce was negotiated between the AIS and the army and military security in exchange for the release of Mr Hachani and Abassi Madani, head of the FIS, from prison. FIS officials say talks were then to have started, to be followed by tangible measures such as the release of political prisoners and the lifting of the state of emergency.

Since then, however, Mr Madani has been placed under house arrest, after sending a letter to Kofi Annan, United Nations secretary general, suggesting UN intervention in the Algerian crisis – a measure vehemently rejected by the Algerian government.

Although contacts are continuing between the army and the AIS, Mr Hachani and other FIS leaders have been sidelined, leaving the AIS separated from the political leadership.

Whether the regime wants more out of the truce than a neutralisation of the AIS has never been clear, although it is assumed that some elements believe the FIS, under a smaller and more palatable guise, could have a role in ending the crisis.

Until this month, the government had never officially acknowledged the truce existed and security officials described it as no more than

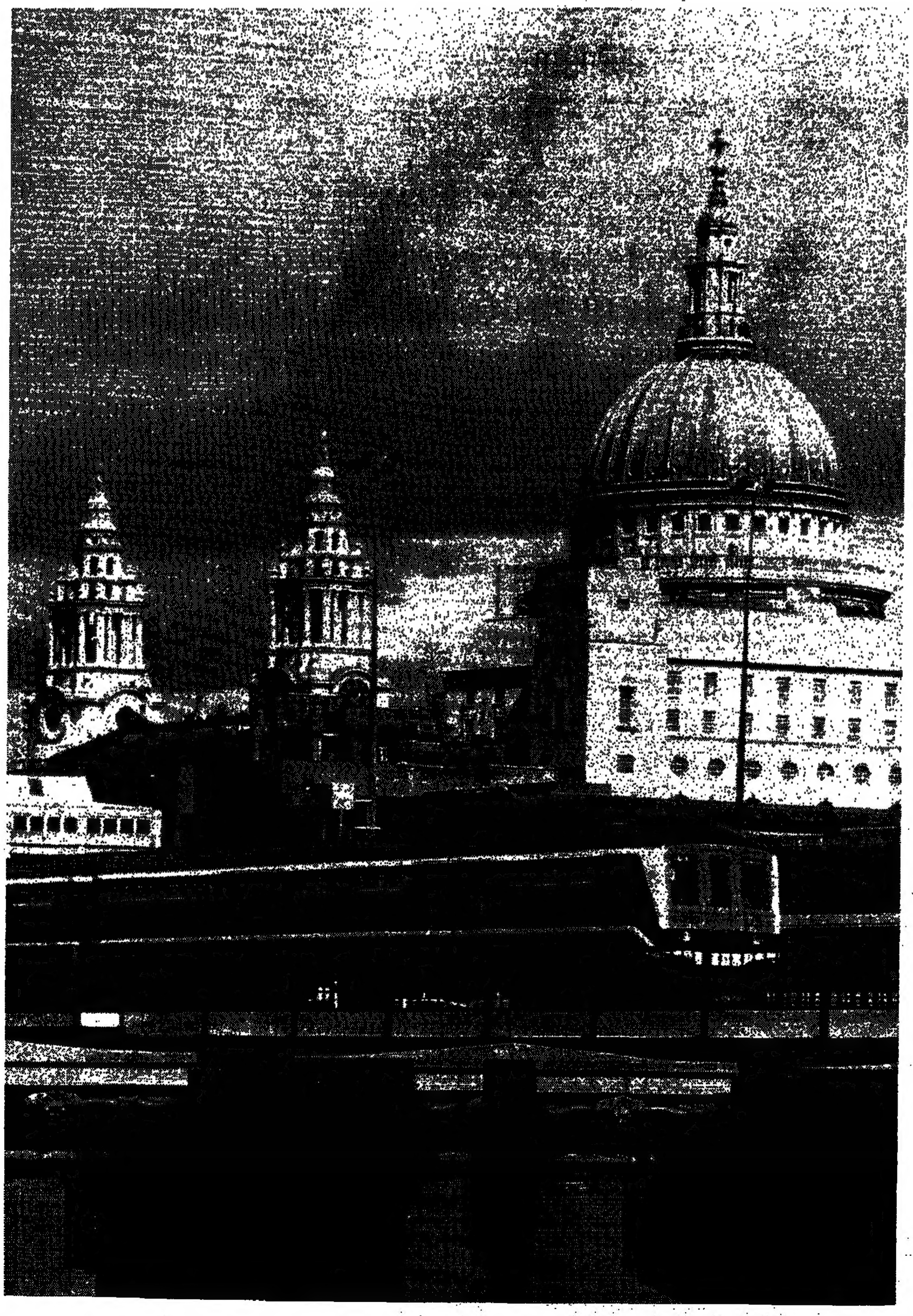
Abdelkader Hachani has warned the ceasefire has dealt a blow to the already battered FIS

a surrender. But then came a long analysis of the truce from the official Algerian Press Agency, which praised it and berated its opponents.

This is one element leading supporters of the truce, grouped around Mr Kebir, use to insist that the AIS-army contacts will produce tangible political results. "We are 100 per cent supportive of the truce, and what other alternative is there for us?" a London-based official said.

According to the official close to Mr Hachani, however, the FIS leader is now trying to reorganise what remains of the party and prevent Mr Kebir from using the leadership in exile as a lobby for the AIS.

"We are not losing hope," the official said. "The blow dealt to the FIS by Mezrag is the strongest since the creation of the party but we have the conviction that the crisis remains and so does the void left by the FIS."



Novel foods create novel dilemmas for trade partners

Americans are happy with genetically modified food. Europeans are deeply suspicious. Michael Smith explores the implications

Food is fast turning into a policy nightmare for the European Union.

The European Commission was forced into a humiliating climbdown earlier this year when member states refused to back its plans for banning cattle parts from the food chain because of fears over BSE or mad cow disease. Now it is being forced to implement a policy on the labelling of genetically modified food which some Commission officials believe may be unworkable.

Nor is the Commission alone in having reservations. The US, where most genetically modified food originates, says labelling is unnecessary, while environmental and consumer groups say the system devised by the Commission and amended by EU nations will leave consumers only marginally the wiser about whether they are eating genetically modified foods.

Food companies are also concerned about the system they will end up with after the EU finalises its regulations during the next few weeks. In short the EU is in danger of devising a policy which appeals to no one.

The rows both over cattle parts and food labelling highlight the political sensitivities surrounding food in Europe following the alarms caused by BSE, particularly since UK scientists two years go identified a possible link between BSE and new variant CJD, a fatal disease affecting people.

Consumers in the US and other countries are more relaxed about what they eat and the US authorities have encountered little demand for labelling of genetically modified food.

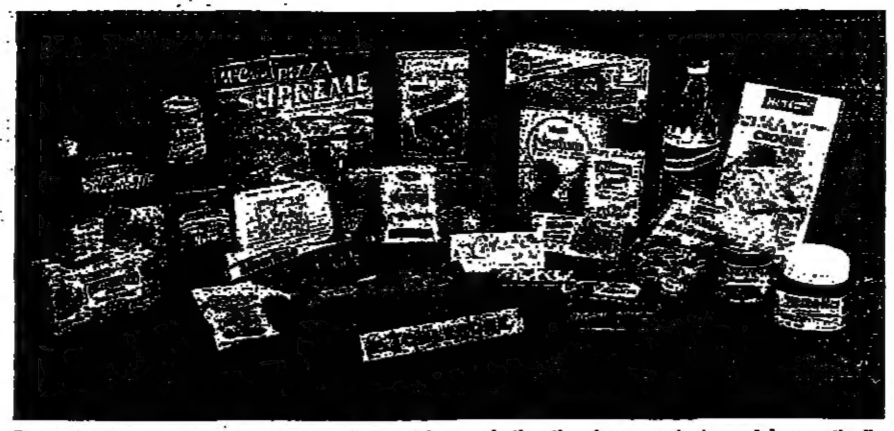
The European Commission drew up EU labelling rules in the wake of a rapid increase in genetically modified ingredients in food. Initially the rules will apply only to modified soya and maize but other "novel foods" coming to market face similar regulations.

In any case, some 60 per cent of processed foods contain soya derivatives and whereas US soya contained only about 2 per cent genetically modified crops two years ago, that proportion is expected to have risen to about 40 per cent this year.

The US government says it was not aware of any information that foods developed through genetic engineering differ in quality or safety from traditional products.

Greenpeace wants a safety first approach and ideally would like genetically modified food banned. "We still do not know the impacts of this genetic experiment with our food," it says.

Beuc, an organisation representing European consumers, is less antagonistic. "We do not suggest that genetically modified food is in any general sense unsafe," says Jim Murray, director. "But it should not be imposed on consumers." Beuc believes the EU's policies will lead to imposition.



Beuc, the European consumers group, does not know whether the above products contain genetically modified ingredients. But the public does not know either, it says Beuc

The Commission's initial proposal was that labels should be required on foods if genetically modified food can be detected in the form of protein or DNA. Where manufacturers were unsure they could use "may contain" labels.

The 15 EU countries accept the method of testing but 12 were against the "may contain" labels on the grounds that a system including them would lack clarity and transparency.

This week's compromise ditched the "may contain" labels and established the principle of a list of products which could be exempt from testing. It also proposed a threshold for genetically modified ingredients below which labelling would not be required. The list and the threshold have yet to be determined.

The main objections of the US government and environmental and consumer groups relate less to this week's compromise proposals than to the testing methods long accepted by EU countries.

In a recent submission to the World Trade Organisation, the US said the EU's testing approach did not make sense. "We do not believe that the mere presence of DNA or protein resulting from genetic modification is sufficient to establish that a food is no longer equivalent to an existing food in composition or nutritional value."

Washington would ideally like no labels at all. European environmental and consumer groups want labels but say the EU's proposed system is inadequate. Greenpeace estimates that the EU's proposals would mean that more than 90 per cent of genetically modified food would not require labelling.

Like Beuc, it wants a system based on separating genetically modified crops from conventional ones. Each producer would have to certify whether they had used genetically modified ingredients and that would determine whether a label was needed. The US says separation is impossible and Brussels believes certification would be cumbersome.

US in push for China's WTO entry

By James Kynge in Beijing and Guy de Jonquières in Geneva

The US and China are striving to make progress on Beijing's World Trade Organisation entry negotiations before President Bill Clinton's visit late next month.

A senior Chinese official said both sides shared "a strong political will" to accelerate the 11-year-old membership application and have recently agreed to intensify negotiations. But he said many difficult issues remained to be resolved.

His tone appeared more upbeat than that of Madeleine Albright, US secretary of state, who said last month that there was "a way to go" before the US and China could make headway on WTO membership.

A US priority is to hammer out a market access agreement, committing China to permit or to broaden foreign participation in a variety of businesses, especially services. Insurance, distribution and accountancy are among the main areas in which greater access is being sought, diplomats said. Although China recently tabled an improved services offer in the WTO, it fell far short of the liberalisation demanded by the US and the European Union.

The talks are also said to be focusing on agriculture, another sector of keen interest to the US. One of Washington's chief goals is to persuade Beijing to accept strict disciplines on farm subsidies.

Diplomats in Beijing said that although the first visit by a US president since China's 1989 crackdown on student demonstrators was important mainly for its symbolism, the US side was also keen that the summit yield some substantive gains.

"There has to be something concrete to show the American people," said one diplomat. Mr Clinton's visit is expected to coincide with the debate in Congress on the annual renewal of China's most favoured nation trading status.

The intensification of WTO talks came as a US-led initiative to persuade Beijing to move toward signing the Missile Technology Control Regime (MTCR), an international grouping which seeks to halt the spread of missile technology, appeared to run into complications, diplomats said.

India's five recent nuclear tests have so jolted the security balance in Asia that Beijing's reluctance to espouse the regime has deepened, the diplomats said. Beijing's disinclination on this issue may, in turn, diminish the significance of any statements which Washington is prepared to make on the vexed question of Taiwan.

US officials have privately linked Beijing's progress toward signing the MTCR with the satisfaction of a Chinese demand that Washington reduces contacts, and especially arms sales, to Taiwan. China has been pressing the US to deliver a written statement but not a formal communique on the Taiwan issue at the summit.

Germans sign big gas deal with Russians

By Ralph Atkins in Bonn

Ruhrgas, Germany's biggest gas distribution company, yesterday announced the cementing of a long-term "strategic alliance" with Gazprom, the giant Russian group, by signing contracts for the supply of up to 13bn cubic metres of Russian natural gas a year from 2008.

The deal, extending existing contracts to at least 2020, is worth about DM25bn ($13.7bn) at current market prices. Ruhrgas said the deal would help ensure continuing supplies from Gazprom. It highlighted Germany's continuing dependence on natural gas from Russia, which provided 32 per cent of Germany's supplies last year – more than from any other country. Only 20 per cent of Germany's natural gas supplies are indigenous.

Ruhrgas and Gazprom are also stepping up co-operation in the transmission of Russian gas through Germany, which might lead to the construction of new pipelines. Mr Friedrich Späth, Ruhrgas chairman, said the closer co-operation would allow Gazprom "to use our well developed pipeline system to reach markets to the west of Germany, such as France and the Netherlands, in a more cost effective way." Gazprom indicted supplies to the UK were also a long term possibility.

Other collaborative projects are expected in the Baltic region as well as on technological development. "Ruhrgas and Gazprom will co-operate in all areas where the feel co-operation is sensible," said Mr Späth. However, the two groups said they had not discussed swapping equity stakes as part of yesterday's deal – although Mr Späth did not rule it out as a future possibility.

Ivanovich Vyakhirev, Gazprom chairman, said his company's agreements with other gas distributors in Germany would not be affected. He said it was important to extend contracts beyond 2008, "so we have enough time to ensure there are the resources available". Mr Späth added the length of the contracts would help Ruhrgas attract customers in Germany.

The deal extends, on largely unchanged terms, contracts between Ruhrgas and Gazprom dating back to 1970. Over the past 25 years, more than 330bn cubic metres of Russian natural gas, worth more than DM55bn, have been piped into Ruhrgas's systems.

Israel to combat copyright piracy

By Avi Machlis in Jerusalem

Israel yesterday said it would launch the country's first police unit to combat intellectual property violations, following pressure by the US Trade Representative to crack down on offenders.

Earlier this month, the USTR placed Israel – and another 14 trading partners – on its Special 301 "priority watch list" for copyright violations.

The USTR estimates Israel's export-driven bootleg CD market cost US companies $93m in lost revenues in 1996. The US also wants Israel to push new legislation through parliament, since current copyright regulations are based on a 1911 British-mandate law.

Business Software Alliance (BSA), a Washington-based industry lobby, recently launched its first big campaign in Israel and has been pressing the Knesset to adopt the new bill.

According to the BSA, piracy in Israel cost software companies $77m in lost revenues in 1996. Their studies show that 69 per cent of all software in Israeli companies was unlicensed in 1996. A piracy expert said last week that 70 per cent of computer programmes in Israeli homes were illegal copies.

In many emerging Asian markets, the piracy rate exceeds 90 per cent. But Israel, which has a per capita gross domestic product of $17,000 and a thriving high-technology sector, is far worse than the western European average piracy rate of 43 per cent and 27 per cent in the US.

WORKER RIGHTS 'STRIKES WITHOUT BALLOTS, MASS PICKETING AND CLOSED SHOPS ARE OVER,' SAYS PM

Blair aims to reassure businesses

By David Wighton and Robert Taylor

Tony Blair, the prime minister, insisted after publication of his government's proposals for worker rights that the UK would still enjoy the most lightly regulated labour market in the world. He promised to listen to employer concerns about the policy paper on rights.

However, employers remain concerned by the proposal that will allow unions to win automatic recognition where they can prove they have 50 per cent plus one members in a workplace. Mr Blair is determined to assure business it has nothing to fear from what is being proposed.

The paper proposes:

- A reduction in the legally required qualifying period of protection for an employee from unfair dismissal from two years to one. The government believes this will produce a "better balance between competitiveness and fairness" and ensure a more committed workforce.
- The removal of any maximum limit on awards from industrial tribunals in unfair dismissal cases.
- The introduction of index-linked limits on statutory awards and payments, subject to a maximum rate.
- That those dismissed for taking part in lawfully organised official industrial action "will be given the right to complain to a tribunal of unfair dismissal".
- An employer will not be able to discriminate against an employee on grounds of trade union membership or non-membership. The blacklisting of trade unionists will be prohibited.

"There can be no going back," Mr Blair wrote in a robust foreword to the government document. "The days of strikes without ballots, mass picketing, closed shops and secondary action are over. The paper seeks to draw a line under the issue of industrial relations law."

Mr Blair said he believed "modern and successful companies" already practised partnership at work and the proposals would encourage this.

He added that UK citizens could not be denied "basic canons of fairness – rights to claim unfair dismissal, rights against discrimination for making a free choice of being a union member, rights to unpaid parental leave – that are a matter of course elsewhere".

Margaret Beckett, the chief industry minister, said the policy document's aim was to create a "new culture" in the workplace based on cooperation and consent. "There is nothing in what we are proposing that should worry industry," she added.

The paper emphasises that "the government is determined that all the changes proposed should avoid bureaucracy and unnecessary burdens on business".

Mr Blair's views were partly backed by Adair Turner, director-general of the Confederation of British Industry, the principal employers' organisation. He said the government had listened to key business concerns during consultations and the "approach to statutory recognition, while not welcome, should be workable".

However, he expressed concern that small companies would face "substantial burdens" with the provision that a union official would be able to represent a worker over a grievance and disciplinary matter". The CBI will press the government to ensure the procedure can only be used in serious cases.

Targets for trade unions
Companies which refuse to negotiate with unions

Employer	Area	Employees	% in union	Job type
Halifax Estate Agencies	England and Wales	6,000	50 (approx)	Estate agents
Noon Products	London	350	90	Food process workers
Pepsico Walkers Crisps	Peterlee, County Durham	400	80	Production staff
Moorland Poultry	North Yorkshire	300+	60	Process workers
Johnson Matthey	London	250	68	Manual and staff workers
Co-Steel	Sheerness, Kent	460	58	Manual and staff workers
National Maritime Museum	Greenwich	350	50+	Museum staff
Lebus	Scunthorpe	250	70	Furniture makers
Kent Salad	East Kent	250	69	Food process workers
Duckers	Rotherham	220	64	Assembly and staff workers
Hazelwood Food	Selby	200	70	Agency workers
FAMAC	N Ireland	144	60	Drivers and warehouse workers
Intelfax	London	140	80	[illegible]
Eurotunnel	South-east England	140	99	Train drivers
Viking Standby	Scotland	127	50	Mariners
Wear Dock	Sunderland	100-400	80-90	[illegible]
Fenne Foods	N Ireland	100	70	[illegible]

Source: Trades Union Congress

Support for employers' stance declines

By Robert Taylor and David Wighton

John Monks, general secretary of the Trades Union Congress, believes he has achieved a more pro-union package than seemed likely a month ago, although he will campaign against the 40 per cent threshold requirement to secure recognition in a ballot.

Adair Turner, director-general of the Confederation of British Industry, initially found considerable support from the government for his opposition to the TUC's proposals, but the TUC seems to have made a comeback.

By mid April the TUC was convinced that Tony Blair was about to back the 40 per cent threshold without conditions in line with the CBI position. Mr Monks wrote to the prime minister, urging him to maintain his position while promising a shift in the TUC's negotiating stance.

Mr Monks had demanded that a majority of those voting in a ballot would be sufficient to secure recognition, but then said the TUC would consider a 30 per cent threshold. This incensed some union leaders, who feared Mr Monks was revealing his bargaining hand, but it began to change the mood in Mr Blair's office.

Growing support for the TUC on the Labour benches in the House of Commons and inside the cabinet also had an impact. Ian McCartney, the industry minister, played a big role in smoothing negotiations between his department and Downing Street. Mr Blair was closely involved in the negotiations, determined to ensure that the government's pro-business credentials were not damaged.

Advisers warned that the TUC's New Unionism, with its emphasis on responsible partnerships in industry, could be put at risk if Mr Monks was humiliated over the issue of recognition The prime minister began to appreciate the need to conciliate the unions without alienating the employers.

Central bank 'hawks' see signs of slowdown

By Richard Adams in London

Two of the Bank of England's monetary policy committee "hawks" yessterday said they are beginning to see signs that growth in the economy is slowing. But the institution, the UK central bank, remains concerned that the jump in average earnings figures published last week may yet lead to higher prices and inflation.

Mervyn King, the Bank's deputy governor and an MPC member who has regularly voted for higher interest rates, yesterday told the House of Commons Treasury committee: "We've seen some signs of domestic demand growth slowing down but not very strong signs yet."

Willem Buiter, an independent member of the MPC who voted to raise rates at every meeting for which details have been published this year, said the economy is slowing, and will slow further this year. "I anticipate a further slowdown of the economy as a whole: hopefully, the slowdown will be more evenly distributed across the service sectors and internationally exposed sectors," Mr Buiter said.

But Eddie George, the governor of the Bank of England, told MPs that he was concerned by the recent upward trend in pay.

There was better news with the publication of figures showing weaker growth in retail sales. Volumes rose by 0.1 per cent in April, according to the Office for National Statistics. Together with a downward revision for March, it left the annual increase at 4.2 per cent.

Charles Goodhart, another independent committee member, told MPs that he shifted his stance away from wanting higher interest rates at April's MPC meeting because of "benign" economic data. Mr Goodhart said the appreciation of sterling had an effect in slowing the economy "greater than would have been generated by a quarter per cent increase in interest rates."

Mr George confirmed that the committee will review the timing of the publication of its minutes, which are now published six weeks after each monthly meeting. The published minutes have been criticised recently by Wim Duisenberg, president of the European Central Bank, and Hans Tietmeyer, head of the Bundesbank, for creating uncertainty in financial markets.

The governor also said the Bank had tightened its internal security procedures after the Financial Times last month published voting details from April's meeting.

MPs criticise multinationals

By Andrew Parker, Political Correspondent

Leading multinational companies were criticised yesterday by a House of Commons foreign affairs committee for not adopting policies to prevent the exploitation of child labour.

British Petroleum, Rio Tinto, Shell and Unilever said they had no worldwide minimum age when hiring staff, but pledged strongly to support the promotion of human rights.

BP was accused of complicity in human rights abuses in Colombia in 1996. Rio Tinto was accused of "steamrollering" through the lands of indigenous peoples in Indonesia by the World Development Movement. Shell withdrew from a project in Nigeria after objections from the Ogoni people, while Unilever was criticised for its former operations in Burma.

BP, Rio Tinto and Shell told the committee they had included support for the United Nations universal declaration on human rights in their mission statements. Unilever said it was committed to operating in a responsible way.

However, Sir John Stanley, a Conservative party member of parliament and member of the committee, asked if the companies had a global minimum age when hiring staff.

BP said it had no minimum age but it regarded child labour as a human rights abuse. Sir John, a former Rio Tinto employee, said that amounted to a "thoroughly woolly" policy. After the other three companies confirmed they also had no minimum age, Sir John said he was "somewhat disappointed".

Spielberg film group to invest in London venture

By Alice Rawsthorn in London

DreamWorks SKG, the Hollywood entertainment group, is to invest up to $50m a year in a London-based film production company run by Neil Jordan, the Irish film director, and Stephen Woolley, his producer.

The investment by DreamWorks, co-founded three years ago by film director Steven Spielberg and David Geffen, the music mogul, reflects the trend for US movie studios to step up their investment in European production.

Miramax, part of the Walt Disney group, agreed last year to invest $50m in launching HAL, a London-based production company run by former senior executives of Channel 4 Films. MGM/UA has established a UK production subsidiary, and Sony Pictures recently unveiled proposals to invest up to $60m in German film and television production.

Other US studios, including Disney's Buena Vista and Rupert Murdoch's 20th Century Fox, are also understood to be formulating plans to join forces with UK production partners.

The news of DreamWorks' deal coincides with efforts by Canal Plus, the French media group, to assemble a consortium of European investors to buy the film division of PolyGram, the Dutch entertainment company which has sizeable film production and distribution interests in the UK.

PolyGram is poised to be taken over by Seagram, the Canadian drinks and entertainment company, for more than$10bn. The Canal Plus deal could save its film division from being folded into Universal, Seagram's Hollywood studio.

- The Arts Council of England suffered more resignations yesterday when Lady MacMillan, who heads the advisory dance panel, and Stephen Phillips, who heads touring, quit, Antony Thorncroft writes.

On Wednesday, the entire drama panel, led by theatre producer Thelma Holt and including playwright Sir Alan Ayckbourn and director Sam Mendes, resigned.

At issue is the restructuring proposed by Gerry Robinson, the new council chairman. The advisory panels will no longer have automatic direct access to the council. Mr Robinson, chairman of Granada, took over the council in April.

NEWS DIGEST

LIBEL CASE AFTERMATH

Former cabinet minister charged with perjury

Jonathan Aitken, the former opposition Conservative party cabinet minister, was yesterday charged with perjury, conspiracy to pervert the course of justice and perverting the course of justice. The charges were the latest twist in the extraordinary saga of his relationship with the Saudi royal family.

They follow the collapse of Mr Aitken's libel case last June against The Guardian newspaper over who paid the then minister's bill for a short stay at the Paris Ritz almost five years ago. The Guardian said it had been settled by an associate of the Saudi royal family, but Mr Aitken had claimed his wife had paid it.

Towards the end of the trial, evidence was uncovered which exploded Mr Aitken's defence and made him vulnerable to perjury charges.

Yesterday, Lord Pearson of Rannoch, a friend of the former minister, gave details of Mr Aitken's likely defence. According to Lord Pearson, Mr Aitken acted as an intermediary between the British intelligence service and the Saudi government over sensitive defence matters.

Lord Pearson says Mr Aitken was persuaded by the Saudis to lie about who paid his Ritz bill, because they felt it would be embarrassing to them for the nature of their relationship with him to be disclosed. **Robert Peston, London**

ARMS-TO-AFRICA TELEGRAMS

Rebuff by foreign secretary

Robin Cook, foreign secretary, last night refused to release Foreign Office telegrams about the arms to Africa affair. The House of Commons foreign affairs committee took the highly unusual step of asking MPs to decide whether Mr Cook should be ordered to hand over the telegrams.

The committee asked Mr Cook for the FO telegrams after reports that Peter Penfold, the British high commissioner to Sierra Leone, sent at least one message warning of the activities of Sandline International, the British company accused of breaching a United Nations embargo by supplying arms to Sierra Leone.

Diane Abbott, a Labour MP, sided with opposition members on the committee to ensure there was a majority in favour of asking the Commons whether Mr Cook should be ordered to release the telegrams. Committees cannot order ministers to produce documents; the full House of Commons has that power. In a letter to the committee, rejecting disclosure, Mr Cook said telegrams often contained sensitive reports of exchanges with other governments. **Andrew Parker, London**

MONTANA MINE

Three jailed in Butte case

Clive Smith, the entrepreneur convicted of masterminding a conspiracy to defraud investors in Butte Mining, a venture in Montana, US, was yesterday sentenced in London to three years in prison. John Clarke, a former Butte director, was also jailed for three years. Kenneth Clews, a managing director of Robertson Research, a mining consultancy, was jailed for 18 months.The judge said his interpretation of the jury's verdicts was that the men had been found guilty of failing to disclose personal benefits totalling many millions of pounds from the offering of Butte shares in the late 1980s. However, the jury had not concluded the businessmen had overstated the value of the mine to investors, he said.

On Monday, Mr Smith and Mr Clarke were convicted on two counts of conspiracy to defraud, and Mr Clewes on one conspiracy charge. The judge said: "The degree of dishonesty involved ... constituted a flagrant disregard of the laws designed to protect investors." **John Mason, London**

CAR PRODUCTION

Output remains high

Car production remained virtually static at current high levels with a fall of just 0.7 per cent last month, year on year. Output amounted to 161,378, compared with 162,551 in April 1997. Output in the first four months of this year has continued the upward trend seen in 1997, with a 4 per cent rise to 623,839. **Haig Simonian, London**

Peace poll will blur the edges of N Ireland's communities

For the first time, the region will be voting across lines of party and religion, writes **John Murray Brown**

For all the speculation about how many pro-British unionists will support the Northern Ireland peace agreement, the region's chief electoral officer has made clear that the result of today's referendum will not provide an answer.

While the overall outcome is certain to be Yes, Pat Bradley, the independent electoral officer appointed by the UK parliament, says the result would be "for Northern Ireland as a whole; there's no way whatsoever whereby we can identify how a constituency or location voted".

The lack of a community breakdown will not matter if the result is an overwhelming endorsement of the accord. But if the result is less than 70 per cent in favour, unionists in the No camp will challenge the credibility of the mandate, arguing that their community has not given its consent to the new structures.

Part of the reason for the uncertainty is that, for the first time, Northern Ireland will be voting not on a sectarian headcount but across party and religious lines.

The mechanics of the vote will do little to help settle the dispute. Ballot papers from the 1,228 polling stations in the 18 districts will be brought first to a regional centre to be verified and then transferred overnight to the count centre in Belfast, where they will be mixed up before the tellers get down to work.

Mr Bradley's announcement of the result – sometime tomorrow afternoon – will relate to the crude majority – whether Yes or No – and turnout figures for the whole of Northern Ireland and each district, with no regional or community breakdown.

In a general election, an experienced party official would be able to predict the result in a particular district, but that will not be possible this time, says Mr Bradley. "In essence you have people who would have been opposing each other now saying Yes together, and saying No together in some cases."

Mr Bradley adds that he has never witnessed such intense interest in an election – and he was co-chairman of the election commission in Bosnia and advised on South African and Russian elections.

"We have been inundated with inquiries. I don't mean inquiries from Northern Ireland. We have many unhappy people from San Francisco, from Cape Town, from South America, who appear to have no worries about spending money on the phone."

In total, 1,175,741 people are registered to vote in Northern Ireland. Mr Bradley expects the turnout to be higher than usual, but points out that traditionally there have been large regional disparities in the number voting.

The issue of turnout is vital for the Ulster Unionist party, the largest pro-British party in the region, and for David Trimble, its leader. It calculates that if the Don't Knows – 20 per cent of the electorate according to a poll this week – can be persuaded to come out and vote, the likelihood is that they will plump for a Yes.

Critical to this will be the attitude of young first-time voters – the audience whose support Mr Trimble sought when he appeared on stage with John Hume, leader of the moderate nationalist Social Democratic and Labour party, at Tuesday night's rock concert held to mark the accord.

Philip Stephens, Page 10

Support for deal rising, says poll

A survey of 500 Northern Ireland voters published in yesterday's Irish Times newspaper showed 60 per cent backing for the peace agreement, four points up on the paper's figures a week earlier. There were 25 per cent against (unchanged) and 15 per cent undecided (down 4 points). Market Research Bureau of Ireland said the proportionate redistribution of undecided votes would result in a 71 per cent Yes vote.

The latest survey showed increased support among unionist voters, with 40 per cent in favour of the deal against 35 per cent the week before and 43 per cent opposed from 45 per cent the week before.

Support among Sinn Féin voters in the sample rose from 83 per cent to 97 per cent.

MUSIC IN LONDON

Hit and miss with visual aids

David Murray is disappointed by Robert Lepage's dramatisation of Mahler's song cycle

At the Lyric Theatre Hammersmith, its artistic director Neil Bartlett is strenuously promoting "music theatre", in the broad sense of anything theatrical that involves music, one way or another. His newest exhibit (a co-production with Cultural Industry, Berlin's Hebbel Theatre and New York's Lincoln Centre) offered a tantalising prospect: Mahler's heartbreaking cycle *Kindertotenlieder*, "Songs on children's deaths", staged – some way or other – by the Canadian director Robert Lepage.

Lepage's clumsy staging of Kindertotenlieder looks dead in the water

Never having seen a Lepage production that failed to offer some magical stage-visions, and usually much more besides, I am heartily sorry to report that his *Kindertotenlieder* looks dead in the water. Given the open-ended brief, his imagination seems to have gotten only as far as "Make the mezzo-soprano a modern American mother, *out*? – selling up in England to return to the US, and rehearsing her last London recital only to cancel it; and give her a young daughter who doesn't want to go back, and also likes playing dead..."

Then, apparently, he got stuck. The sketch never went anywhere. The thin result is flatly walked through here, and the Francophone Lepage has never been much good at making actors deliver English lines with conviction. Rebecca Blankenship goes at the songs with some intensity, but as if Mahler had written extreme dynamic "hairpins" on every other note; *not* a good idea – and she gets only a piano accompaniment, which inevitably reminds us (despite Paul Suits' musicianly efforts) how much more potent the orchestral version is.

Lepage's admirers, including me, cannot but be disappointed. No Lepage show has been so devoid of visual inspiration, or so clumsy. The deadly stage-wait before the final "scene", however, while stagehands interminably lump the furniture off, is surely not his fault.

★

Without visual aids, two young soloists of international quality were much more exciting in the Wigmore Hall last week. The *petite* Bulgarian mezzo Vesselina Kasarova sang serious Schubert, Brahms and Schumann exquisitely on Tuesday – to a full hall, because her CDs have already whetted many appetites.

A cultivated mid-voice with fresh, clear diction, a sumptuous contralto timbre further down and a confident, penetrating top (perhaps a touch steely): ally those to scrupulously communicative intelligence, and you get an irresistible artist. Rather *too* exquisite in Brahms, maybe? – for a passing lark in "Von ewiger Liebe", indeed a *silent* one, she invested *die Lerche* with at least five different fragile hues in succession.

But that was not the reason why her recital counted only as a "near hit", or a near-miss: her accompanist Friedrich Haider was. On the kindest guess, he gravely misread the Wigmore acoustic; in blunt fact he sounded aggressive and overbearing, insensitive with Schubert, loud and bumpy in Brahms' suave piano-parts (we could hear Kasarova only in the interstices). A pity.

★

The soloist the next night was Ukrainian-born Constantin Lifschitz, only 22 but wise beyond his years. He is not a showy pianist; by choice his touch is pithy, his pedalling very spare, as if to ensure that we miss not one significant note. In Beethoven's op. 126 Bagatelles – very late, quirky and "difficult", chock-a-block with compacted fractures – we seemed to hear Beethoven thinking aloud.

That was pretty extraordinary. So were the op. 101 Sonata, and Schubert's four Impromptus D899. Lifschitz changed his keyboard-address appropriately for the "Dante" Sonata: more sensuous appreciation of Liszt's piano-writing would have been better still, but under his hands the structure of the piece emerged cogent and utterly compelling. There will be plenty of occasions to write about this remarkable pianist at more generous length.

Intense: Rebecca Blankenship singing Mahler's heartbreaking cycle, 'Songs on children's deaths' Alastair Muir

Bartók taken to the cleaners

Clement Crisp is appalled by the activities of the darling of Belgian dance

Who are these ghastly people, and why are they infesting an innocent and unprotesting stage? This, I have little regret in saying, is my reaction to the activities of Anne Teresa de Keersmaeker and her Rosas dance troupe. Keersmaeker is the darling of Belgian modern dance, and present incumbent of the dance chair at the Théâtre Royal de la Monnaie. Her trump card is the ace of gloom, and her dance pieces are anxious, lumpen, and boast a fit-where-it-touches musicality. A past visit to London brought an assault on Mozart that should have seen her condemned to the hulks. The Brighton Festival showed her on Monday night at the Gardner Centre in a small outrage entitled *Mikrokosmos*.

It is a decade old, and does not wear its years with any grace – but then, grace is not what Keersmaeker is about. Her dances are exercises in a curious loping, body-slamming, provocative disgruntlement, and suggest nothing so much as a half-term frolic in a reformatory.

To go into as little detail as is decently possible, I record that the stage is dressed with a few old red cinema seats, a clever arrangement of rows of Sansevieria – a boring succulent known as "Mother-in-law's Tongue" – and two pianos on a raised platform behind. In the first part, the fine pianists – Laurence Cornez; Stephane Ginsburgh – play seven of Bartók's piano duets, while Martin Kilvady and Samantha van Wissen indulge in a courtship ritual too tedious to contemplate. The dancers quit the stage, and the pianists offer us a commanding but lengthy – and how lengthy only its victims can know – performance of some pages from Gyorgy Ligeti. Splendidly played; monolithically dull.

Some 50 minutes have now elapsed since these Olympic Games of Angst began. The Duke Quartet now appears to give a very well-judged performance of Bartók's fourth string quartet, which music must have offended Keersmaeker in unfathomable but deeply wounding ways, because she takes vicious revenge. She brings on four dancers, in black shifts and boots, having the air of delinquents who have gained access to banned substances. The manner is of teenage misrule. Skirts are cheerily raised to reveal white knickers. They crouch, click heels, and romp in aggressive, faux-naïf fashion. These are the Balthus Babes, and unless your taste runs to such juvenile charms – but then, this *is* a Belgian company – the effect is vastly off-putting.

Poor Bartók is taken to the cleaners. The score is a marvel, here degraded for public delectation, and nowhere more so than in the miraculous "night-music" movement where a spindle-shanked mademoiselle trudges over the stage, her little chums galumphing after her. I longed for war to break out, or the Last Trump to sound. Alas, vain hope. The pots of Sansevieria weren't looking in tip-top condition by the end of the evening, and I felt as if I'd just done 10 rounds with Frankenstein's Monster. Come to think of it, I had.

Performance sponsored by Virgin Express.

OPERA

Cinders glows in Antwerp

Massenet's *Cendrillon* ("Cinderella") was seen in Wales to general delight, a year or two ago, as staged by Robert Carsen in Michael Levine's designs. In fact that was a co-production with Toulouse, Monte Carlo and Turin – and the Flanders Opera, who reproduced it with their own performers recently in Ghent and Antwerp.

Wisely, they have borrowed the WNO's heroine, young Rebecca Evans, whose fleet, eager delivery in the upper register is complemented by unexpected weight and expressive depth in her lower voice. She looks exactly right, shy but plucky, and in Cinderella's elaborate Act 3 distress – the librettist's arbitrary twist to the story – she opens out into heart-tugging musical drama.

If Rossini's *Cenerentola* is far nearer a perfect comic opera than *Cendrillon*, Massenet's *conte des fées* at least strikes silver (not gold, quite) in the delicate feeling of its later scenes. The earlier stuff is more conventional, enlivened chiefly by the suppressed warfare between father and stepmother, and pretty trios for the three "ladies".

In Flanders, Papa Pandolfe is the veteran baritone Michel Trempont, whose honest, stylish line is positively enhanced by a touch of frailty. Cinderella's haughty step-mama, Madame de la Haltière, is impersonated with gusto by Joyce Castle, and abetted by Marie-Noëlle de Callataÿ and Mireille Capelle as her daughters – neither ugly nor horrid, just gormlessly hearty.

Charlotte Hellekant, tall and slim, sings an irresistible Prince Charming: beautiful phrasing, affecting timbre, a modestly towering presence. Marc Minkowski, the Flanders Opera's new music director, leads an alert account of the score, occasionally strident when he strives to find more passion in the music than is really there.

In the context of this production, however, small imbalances melt away in the general glow. Carsen and Levine have been regular collaborators for a long time. Typically, they have reduced *Cendrillon* to a minimum of stage-furniture whilst granting their singers all the room they need for establishing their characters, and singing straight out. They all give Massenet a great run for his money.

D.M.

Played with gusto: Michel Trempont and Joyce Castle

PARIS THEATRE SACHA GUITRY PLAYS

Sex without tears

Adultery may threaten US presidents but it remains the mainspring of Paris boulevard theatre. Indeed, the chains of marriage are so heavy, French playwright Sacha Guitry (1885-1957) said, there needs to be at least three to carry them. Guitry himself survived several marriages, an unrecorded number of mistresses and between 1901 and 1953 wrote 130 plays, all set in grand bourgeois Paris households and all with infidelity as their theme. Guitry himself starred in most of them. Excepting a short eclipse after the war, Guitry has defied social and sexual fashions and remained on the billboards.

Paris has been unusually flush recently with Guitry productions. After a highly successful run at the Montmartre theatre, Le Funambule, Guitry's play, *Toa*, of 1947 has been replaced by a Feydeau farce, *Monsieur Chasse* – same sort of subject, just a slightly earlier period. And at the Nouveau Theatre Mouffetard recently, *Le Nouveau Testament* of 1934, which Colette described as a masterpiece, was packed with the brilliant quips and lightning conversational exchanges which are Guitry's stock-in-trade.

After 20 years of marriage Monsieur Marcelin no longer cares much for Madame. She finds consolation with the son of Monsieur Worms, whose Madame it transpires, had a youthful fling with Monsieur Marcelin before Madame Marcelin came along. No, the son is not Monsieur Marcelin's – Guitry loves sexual misbehaviour but stops short of incest, just as his profound cynicism never tips over into cruelty or despair.

A veteran producer of Guitry, the director of *Le Nouveau Testament*, Jean-Laurent Cochet, also acts Monsieur Marcelin, infusing every line with depths of world-weary cynicism. The set is simple – leather armchairs against black velvet drapes – and the rest of the cast highly competent, although more than a touch older than the middle-aged characters specified by the plot. The pace is very brisk. Only the *dénouement*, a long philosophical monologue by Monsieur Marcelin about the wasteful hypocrisy of not letting the other partner go when love has turned to ashes, drags.

After two hours of verbal slaps and tickles it all ends happily in an illegitimate embrace

Le mari, La femme et L'amant of 1919, playing at the Theatre des Variétés, where for 25 years Guitry put on all his new plays, is an even better work. The theme, again, is how to accommodate exciting sexual sidelines in lacklustre marriages with a minimum of inconvenience or emotional commitment.

Layabout bachelor Jacques Ménard, played by Pierre Arditi, is the lover of the wife of naive Monsieur Audouin (Bernard Murat who also directs), an inventor who has never invented anything and who happens to be his best friend. The two lovers decide on a period of abstinence which drives everyone involved, even Monsieur Audouin, to a state of nerves fragile even by Gallic standards.

Guitry then torments his characters to distraction by exposing them to the blatant bliss of a couple of newlyweds and by marrying off the lecherous butler and barmaid – all cameo roles as brilliantly performed as the main parts. With consummate sophistry, Jacques Ménard convinces his mistress that their puritan attempt at self denial has proved contrary to human nature, she being to all intents and purposes programmed for infidelity and thus responsible for everyone's unhappiness in attempting to remain chaste.

Then suddenly, after two hours of verbal slaps and tickles and crackling memorable aphorisms, it all ends in an illegitimate embrace. Everyone is happy with his libidinal lot, the varnish of middle-class hypocrisy has been painfully peeled away and carefully reapplied. Most importantly, no-one has got hurt.

Nicholas Powell

INTERNATIONAL Arts Guide

AMSTERDAM

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Tosca: by Puccini. New production by Nikolaus Lehnhoff, conducted by Riccardo Chailly, with a cast including Bryn Terfel; May 22

BARCELONA

EXHIBITIONS
Fundació Joan Miró
Tel: 34-3-329 1908
www.bcn.fjmiro.es
Private negatives, public fictions: 100 photographs from the collection of the Musée National d'Art Moderne in Paris; to Jul 12

Museu Picasso
Tel: 34-3-319 6310
Egon Schiele: The Leopold Collection. 152 paintings and drawings on loan from the largest private collection of Schiele's work in the world; to May 31

BERLIN

CONCERTS
Philharmonie
Tel: 49-30-2548 8354
Berlin Philharmonic Orchestra: conducted by Bernard Haitink in works by Bartók and Brahms. With soloist András Schiff; May 23, 24, 25

CHICAGO

CONCERTS
Orchestra Hall
Tel: 1-312-294-3000
www.chicagosymphony.org
Chicago Symphony Orchestra: conducted by Daniel Barenboim in Beethoven's Symphonies Nos. 3 and 4; May 22, 23

CLEVELAND

EXHIBITION
Cleveland Museum of Art
Tel: 1-216-421 7340
www.clemusart.com
Gifts of the Nile: Ancient Egyptian Faience. Display of ceramics, known as faience, a mixture worked by the Egyptians and regarded by them as magical. Brings together over 200 works, including statuettes of kings, gods, and animals, and inlaid boxes ranging over 5000 years. Includes works borrowed from public and private collections in the US and Europe; to Jul 5

GLYNDEBOURNE

OPERA
Glyndebourne Festival Opera
Tel: 44-1273-815 000
● Così Fan Tutte: by Mozart. New production by Graham Vick, conducted by Andrew Davis. Cast includes Alan Opie and Barbara Frittoli. With the London Philharmonic Orchestra; May 24
● Katya Kabanova: by Janáček. Revival of Nikolaus Lehnhoff's production, conducted by Yakov Kreizberg, with designs by Tobias Hoheisel. Cast includes Amanda Roocroft. With the London Philharmonic Orchestra; May 23, 26

LONDON

CONCERTS
Royal Festival Hall
Tel: 44-171-960 4242
The Royal Opera: Die ägyptische Helena, by Strauss. Concert performance, conducted by Christian Thielemann. Cast includes Deborah Voigt and Thomas Moser; May 22, 25

EXHIBITIONS
Hayward Gallery
Tel: 44-171-261 0127
www.hayward-gallery.org.uk
Anish Kapoor: one of a generation of British artists who came to prominence in the 1980s, Kapoor creates sculptures using stone, steel, and mirrored metal. This is the first major showing of his work in a public gallery in Britain, and includes massive new stone pieces; to Jun 14

Tate Gallery
Tel: 44-171-887 8000
Per Kirkeby (b.1938): continuing the series of contemporary sculpture displays, this exhibition includes paintings, sculptures and a specially constructed brick structure by the Danish artist; to May 26

THEATRE
Almeida Theatre
Tel: 44-171-359 4404
The Iceman Cometh: by Eugene O'Neill. Howard Davies' production stars Kevin Spacey, Rupert Graves and Clarke Peters; ends tomorrow

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
● Bavarian Youth Orchestra: conducted by Reinhard Steinberg in works by Brahms and Berlioz. With piano soloist Paul Rivinius; May 27
● Ivo Pogorelich: recital by the pianist of works by Rachmaninov, Granados, Prokofiev and Chopin; May 25

OPERA
Bayerische Staatsoper
Tel: 49-89-2185 1920
The Midsummer Marriage: by Michael Tippett. Mark Elder conducts a production staged by Richard Jones, with a cast including Alison Hagley and Philip Langridge; May 22

NEW YORK

CONCERTS
Lincoln Center
Tel: 1-212-721 6500
www.lincolncenter.org
New York Philharmonic: conducted by Kurt Masur in Shostakovich's Symphony No. 7, "Leningrad"; Avery Fisher Hall; May 22, 23

EXHIBITIONS
Guggenheim Museum
Tel: 1-212-423 3500
www.guggenheim.org
Visions of Paris: Robert Delaunay's Series. Previously seen in Berlin, this exhibition focuses on the series paintings made by the artist in Paris, of subjects including Saint-Séverin and the Eiffel Tower; to May 24

Metropolitan Museum of Art
Tel: 1-212-879 5500
www.metmuseum.org
Augustin Pajou, Royal Sculptor: retrospective devoted to works by the French sculptor (1730-1809), successful in the French Royal Academy of Painting and Sculpture and a favourite of Louis XV and Louis XVI. Includes marble statues, portrait busts, terracotta sketch-models, and drawings including designs for the opera at Versailles; to May 24

Museum of Modern Art
Tel: 1-212-708 9480
www.moma.org
● Chuck Close: retrospective of the American painter, comprising 90 works and ranging across his career; to May 26
● Fernand Léger (1881-1955): retrospective comprising some 220 paintings and drawings by the early modernist. Previously seen in Paris and Madrid, the exhibition will transfer to the Léger museum in Biot; to May 27

THEATRE
Broadhurst Theatre
Tel: 1-212-239 6200
The Judas Kiss: by David Hare. Richard Eyre directs Liam Neeson as Oscar Wilde in this Almeida Theatre production premiered in London

Brooklyn Academy of Music
Tel: 1-718-636 4100
The Royal Shakespeare Company presents a two-week season featuring five productions. Matthew Warchus's production of Hamlet opens tomorrow, with Alex Jennings in the title role. Krapp's Last Tape, by Samuel Beckett, opens next week, as does Shakespeare's Henry VIII. Everyman and Cymbeline follow the week after

PARIS

CONCERTS
Théâtre des Champs Elysées
Tel: 33-1-49525050
● Natalie Dessay: recital by the soprano, with the Orchestre de Paris conducted by Jun Markl. Programme includes works by Ravel, Granados, Delibes, Rachmaninov and Glière; May 27
● Vienna Philharmonic Orchestra: conducted by Seiji Ozawa in works by Brahms and Stravinsky; May 26

SAN FRANCISCO

CONCERTS
Davies Symphony Hall
Tel: 1-415-864 6000
www.sfsymphony.org
● San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in works by Mozart, Lukas Foss, Stravinsky and Berg. With soprano Renée Fleming and horn soloist A David Krehbiel; May 22, 23
● San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in Mahler's Symphony No. 2, Resurrection. With soprano Rebecca Evans and mezzo-soprano Florence Quivar; May 27

TOKYO

CONCERTS
Suntory Hall
Tel: 81-3-3584 9999
● City of Birmingham Symphony Orchestra: conducted by Sir Simon Rattle in works by Brahms and Beethoven. With violin soloist Ida Haendel; May 26
● London Symphony Orchestra: conducted by Sir Colin Davis in works by Sibelius; May 24

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:

06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:** 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

PHILIP STEPHENS

Republic's revival

Those unionists in Northern Ireland who fear a Yes vote in today's referendum should take another look at their prosperous neighbour

If Northern Ireland's unionists need a reason to vote for the Good Friday settlement, they have only to glance southwards. Slipping off the blindfold of history, they will discover that the state they were born to fear has become a neighbour to envy. Where once they saw peasants and papal idols, there are now Mercedes limousines and microchip plants. A land of potato growers has given way to a nation of wine drinkers. The Irish Republic has broken free. It has no need of Ulster's six counties.

Two referendums are being held today on the island of Ireland. The tension these past few weeks has been in the North. We have seen Ulster unionism split between those willing to take David Trimble's gamble for peace and those, like Ian Paisley, who would refasten the locks against hope. We have witnessed the cack-handed release of terrorists, fuelling the legitimate concerns of unionist waverers. We have listened to the countervailing pleas for a Yes vote from Tony Blair and Bill Clinton.

Yet it is the promised outcome of the plebiscite in the South that defines the transformation in Irish politics that makes peace in the North a possibility. The voters of the Republic are poised to renounce by an overwhelming margin their legal claim to the adjoining territory.

The assertion of sovereignty inscribed in Eamon De Valera's 1937 constitution is to be replaced by the solemn pledge that Ulster's future lies with the consent of its people. For an Irish state haunted from its creation by partition, it marks a momentous self-awakening. The IRA has finally lost. If only unionism could grasp the significance.

The opinion polls tell us that between two-thirds and three-quarters of the Republic's voters have already decided to step out of De Valera's shadow. The final count could well be higher. Irish unity was the *raison d'être* of the 1937 constitution. Yet the change has been proposed by a government led by Fianna Fail – De Valera's own. It is backed by all the significant opposition parties.

Ten, perhaps even five years ago such a referendum would have been lost. The emotional attachment to unity would have elbowed aside the cold reality that Ulster could never be coerced into an all-Ireland state. The prospect of peace in the North has encouraged a different perspective. So too has the accretion of revulsion at the mindless violence of Sinn Féin/IRA. Much more important than either, the South has recreated itself.

Partly it is a question of prosperity. Others dream of economic miracles. Ireland has delivered one. The South's economy has grown by an average 9 per cent annually for the past five years. Only recently has inflation risen much above 2 per cent. A nation that during the 1950s lost a third of its labour force to emigration now depends on returning workers to operate its high-technology factories. Large subventions from Brussels are only part of the explanation.

Mr Blair likes to say that he has taken the ideology out of the business of economic management. Yet Irish politicians set off along the so-called third way long before it appeared on New Labour's map. Chancellor Gordon Brown's mantra of stability comes straight from the textbook written by Ruari Quinn, the former finance minister who now leads the Irish Labour party.

Dublin governments – past and present – are as business-friendly as they come. A steady stream of inward investment has become a torrent. For most manufacturing companies the effective corporation tax rate is 10 per cent. The capital gains rate is 20 per cent. Overseas investors are welcomed with open arms – and hefty incentives.

Yet economic liberalism coexists with government activism. A national wages framework has held down inflation. Radical overhaul of the education system has delivered the highest proportion of graduate scientists in Europe.

The result? A decade ago national income per head stood at about two-thirds of that in Britain. Now it is higher. The comparison with Northern Ireland, marooned in its dreary dependency on state intervention and subsidies, is more flattering still. A stroll around Dublin's elegant galleries and restaurants followed by a brief encounter with Belfast's barricades tells you all you need to know.

Economics, though, is only half the story. The political and cultural shifts have been equally profound. The theocratic state established by De Valera and demonised so effectively by unionists is giving way to a modern secular society. The first blow against the 1937 constitution was struck three years ago when a referendum lifted the bar on divorce. Homosexuality has been decriminalised and contraception legalised. As the church has been rocked by scandal so the civil law has been stripped of its Catholic morality.

Amid this new-found wealth and national self-confidence, the South has shed the burdens of history. It has escaped the prison of Anglophobia. Irishness is no longer defined by territory occupied or claimed, but by the vibrancy of its national culture. Its role in Europe has rebuilt the Republic's self-esteem and seen it reconnected to the Irish diaspora.

In six months Dublin will make a further declaration of its independence from the old imperial power by joining the vanguard of Europe's single currency. While British politicians fret and squabble, the Irish will swap their punts for euros. Those who argue that European integration is a plot to suffocate nationhood are every day defied by the experience of the Republic.

Let us not delude ourselves. There are caveats to be entered. Such heady economic growth rates cannot continue indefinitely. Booms in the property and stock markets presage the risk of an inflationary bust. The act of joining economic and monetary union will oblige the Dublin government to cut interest rates at the moment it might otherwise be raising them. After so much gain some pain is overdue.

But the temporary reverses of the economic cycle will not alter the underlying picture. We used to think of Ulster as the prosperous industrial neighbour of a backward agrarian society. Mr Paisley and his supporters on the wilder fringes of unionism can summon up the old demons of Irish nationalism only by pretending nothing has changed.

Reality defies them. Those who fear that a Yes vote would be the prelude to Irish unity should compare the dismal condition of their lives with that of their prosperous southern neighbours. The abiding fear of Ulster unionists is that the British state to which they swear allegiance no longer wants them. They might ask themselves another question. Why should the Republic take a different view?

LETTERS TO THE EDITOR

Withholding tax will threaten UK position as capital market centre

From Mr Stanislas Yassukovich.

Sir, It is rare that one can witness financial history repeating itself. A new EU directive seeks to harmonise at 20 per cent a withholding tax on income from securities and deposit accounts with the option for the member states unwilling to tax non-residents that they report payments to the home country of the beneficiary (Brussels agrees tax proposal", May 21).

In terms of its likely consequences, this initiative bears an uncanny resemblance to the interest equalisation tax imposed by President Kennedy in 1963. The purpose of this measure was not to raise revenue but rather to alleviate the balance of payments deficit caused by massive direct investment abroad by US corporates. But the result was that the international capital market, firmly fixed in New York after the second world war, moved to Europe.

It settled first in Switzerland, where it might have stayed had the Swiss reformed their stamp tax and work permit practices. It was then made welcome in London where, as the Eurobond market, it laid the foundation for the rise of London as the world's premier financial centre.

The only withholding tax regime neutral enough to accommodate international capital market activity is one where the rate is fixed at zero. The proposed directive may harmonise tax in the EU but it cannot do so for the rest of the world. If the UK is forced to tax at source income from international financial assets held by non-residents in London it will have begun the process of destroying London's position as an international finance centre, a loss to both the UK and the EU.

How ironic that, at the same time as it is trumpeting the arrival of the euro as a challenge to the global role of the US dollar, Europe is about to give back to the US its position as the capital market centre for the world.

Stanislas Yassukovich,
S.M. Yassukovich & Co,
42 Berkeley Square,
London W1X 5DB, UK

The real enemies of low wage earners

From Mr Robert Madelin.

Sir, The full critique by Alan Simpson and Colin Hines of the multilateral trading system (Letters, May 20) seems not to have been widely available at the World Trade Organisation jubilee party this week. But they are certainly wide of the mark when they attribute to open trade the undeniable increase in wage inequalities in the developed world.

As is demonstrated in a rather good recent Brookings Institution demolition of such "globaphobia", the growing spread between high and low wages is if anything more marked in sectors where there is no real scope for foreign competition, such as health care or public road transport, than in internationally tradeable goods and services.

This striking fact suggests that the real enemies of the low wage earner are technology, a clear trend to employ ever more skilled workers, and the increased pressure created in the market place by other unskilled workers, whether they are born in the country or recently arrived immigrants.

It is perhaps easier and more popular to blame it all on foreign trade, but to do so only diverts attention from the real and achievable needs of Europe: better education for the unskilled and a competitive open economy to generate a tax-take adequate to fund that training.

Robert Madelin,
37, Avenue de l'Yser,
Brussels,
Belgium

'No' jeopardises Irish constitution change

From Mr Thomas Hutchison McFadden.

Sir, The Good Friday accord provides both for the release (under certain conditions) of paramilitary prisoners and for Dublin's abandoning its constitutional claim to the six counties of Ulster now held by Britain. What the "No" camp seems to overlook is that London can release those prisoners regardless of the outcome of Friday's vote, but Dublin is unlikely to change its constitution if the Good Friday accord is not approved. Does the "No" camp imagine unionists will be better off with Dublin's claim still standing and pro-"Yes" London snubbed?

Thomas Hutchison McFadden,
Pembroke College, Oxford,
and Pushkin House,
46 Ladbroke Grove,
London W11 2PA, UK

Heady form of power

From Mr David Read.

Sir, The president of the Bundesbank, Hans Tietmeyer, has been quoted as saying that the European Central Bank should explain the reasons for its decisions to the general public but should not be accountable to national bodies.

This sounds remarkably like power without responsibility, an exciting and heady prospect for a group of civil servants.

David Read,
29 rue de Chêne-Bougeries,
1224 Chêne-Bougeries,
Switzerland

A preferred portrayal

From Mr Sam Goldman.

Sir, Judy Dempsey, in her report, "Eight killed in West Bank and Gaza clashes" (May 15), said: "... 700,000 Palestinians fled or were driven out of their homes during the [1948] Arab-Israeli war".

Miss Dempsey may not have been around in 1948, but I would have preferred it had she said, "when five Arab States attacked the newly created Israeli State in 1948 and encouraged most of the 700,000 Palestinians to flee from their homes" - because that is factual.

Jordan walked into the West Bank allocated to the Palestinians by the UN before attacking Israel. They stayed there for 19 years until the 1967 war and never attempted to solve a refugee problem they helped create.

When Israel attempted to build new houses for the refugees in Gaza, it was condemned by successive annual UN resolutions.

S. Goldman,
81 Stonegate Road,
Leeds LS6 4HZ, UK

Number One Southwark Bridge, London SE1 9HL

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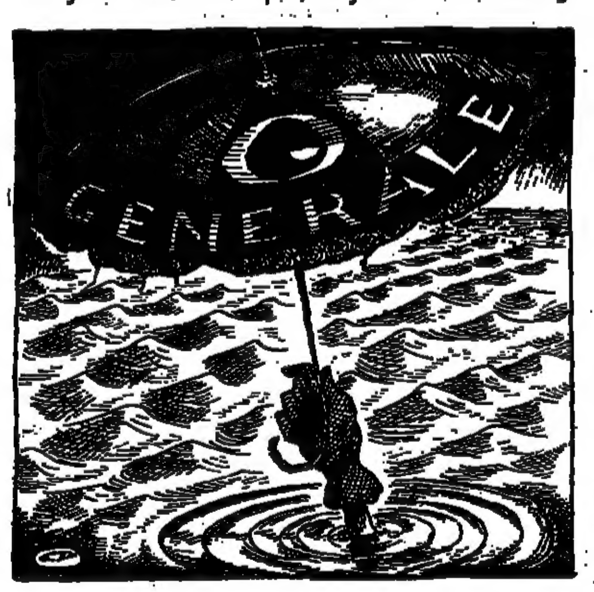
Demise of La Vieille Dame

Société Générale de Belgique may become a symbol for Europe, says Neil Buckley



A letter writer to Belgium's Le Soir newspaper recalled being told by his father in 1930 – as they gazed over the sprawling factories of the Meuse valley, all controlled by Société Générale de Belgique: "If there were no La Générale, Belgium would be no more."

If that is true, Belgians – and all Europeans – should take note. After 175 years, Société Générale de Belgique will soon be no more, at least as an independent group. Its demise is a case study, from the capital of bureaucratic Europe and just one month after the launch of the euro, of what might happen to European national champions – and even of the political consequences that might result.

Suez Lyonnaise des Eaux, the French utility giant, this week launched a $4.85bn bid for the one-third of the company it does not already own. Suez says it will keep it as a kind of branch office in Brussels. Many observers predict it will just fade away.

The move is the end of a lengthy corporate history, the final chapter of which began 10 years ago when Italian raider Carlo De Benedetti launched the most audacious – and bitterly fought – European takeover battle of the 1980s. His assault was defeated by Suez, though one-third of the company remained in Belgian hands.

On the same day that Suez announced its intention to absorb the rest of La Générale, it was confirmed that Belgium's biggest bank, Générale de Banque – spun off by La Générale into a separate subsidiary in the 1930s – would be absorbed into Fortis, the Belgo-Dutch financial group. The two events can be taken as a metaphor for the erosion of national boundaries in the new corporate Europe.

La Vieille Dame, as La Générale is nicknamed, has been a model for Europe before. Founded as a company to finance industry in the Catholic south of the United Netherlands, it was older than Belgium, bankrolled the post-independence government, and built a business empire stretching from Argentina to China.

By 1934, the company was so closely associated with the state that one newspaper greeted a new government – composed mostly of former La Générale directors – with the headline "Société Générale opens a new subsidiary".

The neighbours were impressed. La Générale is often credited as a model for Germany's universal banks, France's own Société Générale, and even the *zaibatsu*, the conglomerates that dominated prewar Japan.

But La Générale partly brought about its own downfall. Analysts say it lost the innovative edge that had fired it a century before. It was late shifting from heavy industry to service-based businesses, and never invested in high technology. Its sprawling structure also made it difficult to manage, and resulted in a lack of any clear strategy.

"It was run too long for the benefit of the directors," says Kristoff Van Houte, senior analyst at Corluy & Co, the brokers. "They were not really adding value for shareholders."

Mr Van Houte and other analysts suggest the end of La Générale as an independent company could lead to the disappearance, or at least rationalisation, of a number of other similarly run Belgian holding companies, many of which sprang up in emulation of it. "There were certainly quite a few people trying to play at being Générale de Belgique," he adds.

Beyond Belgium, La Générale has been caught up in – and may become a symbol of – the changes sweeping across Europe. Mr De Benedetti failed in his aim of turning it into the first Europe-wide holding company. Now, however, the he invoked have finally caught up with La Générale, and Générale de Banque.

With the launch of the single market in 1993 and the impending single currency, "we are developing a new Europe", says Viscount Etienne Davignon, chairman of La Générale since the Suez takeover, and a former European commissioner. "The idea that your identity is related to your name on the stock market is an old concept which does not match the realities of the Europe we are building." Large, cross-border groups, he says, no longer need several national structures and share listings, only one.

It is all very forward-looking. But such corporate moves have significant political implications.

As Anne Vincent of Belgium's Centre for Socio-Political Research and Information and author of a history of La Générale, puts it: "The story of Société Générale is intimately linked with the story of Belgium." And not everyone is entirely relaxed about the politics. After 25 years of almost constant constitutional reforms, Belgium's federal government increasingly resembles a kind of political holding company, which has ceded powers both to a larger parent – the European Union – and to its operating units, the regions and linguistic communities into which Belgium has been divided.

Dutch-speaking Flanders is developing closer ties with the Netherlands, as French-speaking Wallonia is with France. In a similar way, La Générale is being absorbed by the French, while its daughter Générale de Banque is marrying a partner orientated more towards the Netherlands.

Further talks on Belgian constitutional change are due to start before the millennium, and could lead to even more power being devolved to the regions. Some suggest the intermediate holding company of the Belgian government could eventually disappear.

La Générale has had its day. It may take a few more years of political reforms to see whether the prediction made at the top of the Meuse valley 70 years ago turns out to be true.

La Générale's 175-year history

- 1822 Founded as Société générale des Pays-Bas pour favoriser l'industrie nationale
- 1830 Belgian independence. Takes on role of central bank
- 1848 Ceases role of national bank but by now owns 48 of country's 84 limited companies
- 1903 Renamed Société Générale de Belgique
- 1906 Enters Belgian Congo
- 1934 Spins off banking interests, becoming pure holding company
- 1960 Congo gains independence. La Générale controls, directly or indirectly, 70 per cent of the economy
- 1965 Banking interests merged with others to form Société Générale de Banque (from 1984, Générale de Banque)
- 1988 Carlo De Benedetti bids for control. Defeated by Suez, which emerges with 63 per cent
- 1998 Suez-Lyonnaise absorbs SGB. Générale de Banque merges with Fortis

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
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Recovering from Suharto

The belated resignation of President Suharto of Indonesia should relieve some of the political tension on the streets of Jakarta. The danger is that it may have come too late to ensure a reasonably stable transition to a new order. The demands of demonstrators for radical reforms may if anything be reinforced by their success so far.

It has taken many months of unremitting political and economic crisis to persuade that proud old man that he was out of touch and out of sympathy with his people after 32 years in power. He should never have put himself forward in March for a new five-year term in office, ensuring as usual that he had no serious challenger. His refusal to step down gracefully proved too much to stomach for a population already battered by rising prices and unemployment, and mocked by the blatant corruption of the president's family and his ruling elite. That is what has caused the present turmoil.

The problem is that in leaving office he has simply handed over to his vice-president, B. J. Habibie, a man totally associated with, and tarnished by, the latter years of Suharto's rule. As four-times minister for science and technology, he was closely identified with the system of government subsidies and monopolies which lent themselves to cronyism and inefficiency. He also has idiosyncratic ideas of business and economic behaviour, not least that high interest rates boost inflation, which make him an inappropriate man to preside over any recovery from the present economic crisis.

In his first address to the nation yesterday, Mr Habibie expressed his commitment to constitutional reform and increased democracy. He promised to appoint a reform-minded cabinet, and to honour all the economic reforms already agreed with the International Monetary Fund. All those things are necessary, but Mr Habibie hardly seems the right man to implement them. He has consistently opposed such moves in the past, and lined up against the very technocrats he now suggests should rejoin the government.

What remains unclear is where the powerful Indonesian armed forces stand in the current upheaval. They are said to support Mr Habibie, yet there are rumours of divisions within their ranks. They must persuade the new president to institute a rapid transition to more democratic rule, within a tight time-frame of weeks, if not months, and then stand down. A government of national unity, combining both military and the democratic opposition, would best bridge the gap. Even if he now means what he says, Mr Habibie lacks the credibility to do so.

Single ballot box

For many people, elections to the European Parliament are a bore and what it does is a snore. But next year's Euro-poll might excite voters, if they also had a chance to influence the choice of the next president of the Brussels Commission, a job with a far higher profile.

This proposal has just been floated by a group headed by Jacques Delors. The man nominated by European governments for a record 10 years as Commission president now feels the people of Europe should be given a say on his successors – without any need to tamper with EU treaties.

The idea is that the parliament's transnational political groupings – the Socialists, European People's party and so on – should each name its candidate for the Commission presidency which also has to be decided next summer. EU government leaders would still retain their formal right to nominate the Commission president, but would be expected to opt for the candidate of whichever grouping of MEPs triumphed in the Euro-elections.

After so much recent focus on monetary union, the Delors group's idea has the merit of bringing the European debate back to the unresolved problem of democratic legitimacy. The European Central Bank will have to give some account of its operations to the parliament, and will come under some influence from the Euro-11 ministerial group of countries sharing the single currency. But of these democratic control mechanisms, the parliament remains weak and the Euro-11 unrepresentative of the whole Union. One can therefore see the case for using the Euro-elections to strengthen the Commission, the one body encompassing all states and all issues.

But several objections also leap to mind. First, the notion of a single ballot box to go with the single currency is catchy, but probably ahead of political reality. It really is hard to imagine a Commission presidency candidate running in all 15 countries, unable to speak the local language in most of them. Second, the plan would inject an element of left/right ideology into an EU agenda which usually defies such categorisation. The EU debate is usually conducted in terms of intervention versus *laisser faire*, rich versus poor, north versus south – rarely left versus right.

Finally, the proposal begs the question of whether Europeans really want a European government formed like an American administration, and whether the Commission is the right form for it. The Delors group's proposal is interesting and deserves further debate. But it cannot be a short-cut to a federal Europe without a constitutional negotiation in between.

Korean banks

The Korean government's decision to recapitalise the country's banking system is a painful recognition of reality. Hopes that foreign banks might step in to take over large parts of Korea's troubled financial system were always implausible, as long as the huge and hard-to-quantify burden of bad debts hung over it. In similar situations, other countries – in Scandinavia, for example – have had to take the same unpalatable step.

The move will bring the banks under effective government control, forcing officials to confront directly the question of which of the banks' debtors survive and which fail. For decades, Korea's giant conglomerates, the *chaebol*, have been the recipients of vast, cheap-rate bank lending. It is this flood of concessionary finance which has allowed them to expand aggressively both at home and abroad. Now, with the economy in recession and the servicing of past foreign-currency borrowing hugely more expensive, the conglomerates are in crisis.

In a sense, the relationship between the *chaebol* and the government has now come full circle. In the early days of Korean industrialisation, the government kept the family groups under tight control, setting sweeping industrial targets and ensuring that the banks provided the finance to meet them. In the 1980s and 1990s, the government loosened its control, allowing the *chaebol* greater freedom to invest as they chose. But they retained privileged access to bank finance. The huge surge of investment in new capacity, at home and abroad, was an inevitable result.

Until this week, the government has been able to treat the financial consequences of this excessive investment as a problem for the *chaebol* and their bankers to resolve in private. Now, it will find that claim harder to sustain. This will pose difficult decisions both for President Kim Dae-jung – a stern critic of the relationship between banks, government and industry in his days in opposition – and for Prime Minister Kim Jong-pil, an architect of the system.

The issue is now more practical than ideological, however. The *chaebol* have at last started cutbacks in employment. More will be needed if they are to meet their commitments to the banks. Yet as labour protests mount over these actions, the government will find itself faced with an unpalatable choice between getting the financial system back into shape, and preserving social peace.

Recapitalising the banks was an essential first step, though one which the government had to nerve itself up to take; but the really difficult decisions still lie ahead.

The waves from Indonesia

Peter Montagnon looks at the wider implications for Asia – in politics, economics and security matters – of the fall of the Suharto regime

Just as Thailand's stock market jumped on last July's devaluation, so Asian equities posted modest gains yesterday on news of President Suharto's abrupt departure. But just as the Thai market euphoria proved shortlived, so present satisfaction could prove premature as new worries emerge not only about Indonesia but about all of Asia's security and economic development.

Indonesia's new president B. J. Habibie is scarcely the most obvious choice for the task of instilling confidence in his country's political and economic future. A long-standing protégé of Mr Suharto, he lacks his own power-base in the country and his ideas on economics are diametrically opposed to those of the International Monetary Fund.

Almost all analysts see him as a transitional figure who will either preside over quick reforms or be pushed out, much as his mentor was this week. Yet his initial address to the nation gave no sense that he sees himself in such a caretaker role. That raises the possibility that the fundamental political problems thrown up by the Suharto succession will remain unresolved, and, if so, chaos will continue to pose a threat.

For the rest of Asia this is a profoundly worrying prospect. It adds an explicit political and security dimension to a regional crisis that started out purely financial and economic. And the prospects of violence and instability could in turn sharpen the miseries of economic contraction, giving the crisis a new turn.

It is probably no coincidence that Indonesia's convulsion has come just as the recession in Asia is really starting to bite. Mean forecasts by private sector economists for Indonesia suggest gross domestic product will contract by 7.8 per cent in real terms this year, compared with 3.3 per cent projected three months ago, according to Consensus Economics which tracks the projections. Comparable figures for Thailand are minus 4.1 compared with minus 2.7 per cent. In Malaysia growth is now expected of only 0.2 per cent compared with 1.1 per cent forecast three months ago.

But now, security worries are being added to economic ones. Immediate neighbours have long fretted about the threat that could arise from a power vacuum and internal collapse in Indonesia. "If there is instability in Indonesia, it will destabilise the whole region," said Tony Tan, Singapore's defence minister in an interview earlier this year.

Singapore and Malaysia have already had a taste of that with a large rise in the flow of jobless and hungry refugees. This led to bloody scenes when the Malaysian police crushed a riot of Indonesian migrants in an immigration camp. There has also been an increase in piracy that saw the hijacking by a group of Indonesians last month of the Petro Ranger, a Malaysian tanker, in the Malacca Straits.

In their public statements yesterday, regional leaders expressed relief that Mr Suharto's departure had come about peacefully. Most also commented on the need for social and economic stability. Attention should be focused on reviving the economy, said Mahathir Mohamad, Malaysia's prime minister. Outgoing Philippines President Fidel Ramos spoke of the need for economic reform.

This might be a polite way of urging the new government to do something about the economy quickly, before it is too late. Indonesia's current crisis is already heightening security tensions in south-east Asia and could undermine regional hopes of recovery. "Until a stable and generally reformist government emerges in Indonesia, it's an open question of where this will go," says Gavin Greenwood, a regional specialist with the London-based Control Risks Group.

Mr Habibie has a window of opportunity but it is a narrow one, analysts say. Not only must he move quickly with political reform, he must also move with lightening speed to deal with the economy. "The economy on the ground is collapsing, the banking system is not functioning, and normal life has ground to a halt," says Neil Saker of SG Global Equities in Singapore.

Some analysts argue that in the short run it should be possible to contain the regional fall-out from the accelerating decline of Indonesia's economy because the country is seen as a special case. "People are learning to quarantine this," says Gerald Segal of the International Institute for Strategic Studies.

Yet as the security implications deepen in Asia, even he fears a wider loss of economic confidence. For the time being the refugee problem and piracy are the two most obvious security concerns. Neither Singapore with its population of 3m nor Malaysia with 21m have the capacity to absorb the millions of refugees that could theoretically leave.

Crowds of Indonesians struggling across the Malacca Straits in small boats at night could also obstruct navigation channels in one of the world's busiest shipping lanes, adding to the existing piracy problems, says Bruce Gale of the Political and Economic Risk Consultancy in Singapore.

But there is little immediate fear of a repeat of the last transition during the 1960s when violence spread outside Indonesia and commandos let off bombs in Singapore. Nor is there any immediate risk of President Suharto's fate destabilising other long-standing governments in the region.

Indeed, there are not many left. With the Philippine elections now also out of the way, only Malaysia now among larger countries afflicted by the crisis has not seen a change in government. But Malaysia's institutions are stronger than those of Indonesia, while its social and economic problems are less intense.

Some argue it should be possible to contain the regional fall-out from the accelerating decline of Indonesia's economy because the country is a special case

A more profound, if less well defined, worry concerns the waning influence of the eight-member Association of South-east Asian Nations, the organisation created in part to help stabilise the region after the turbulence of the previous Indonesian transition 32 years ago. Sheer size has always given Indonesia a central role in Asean and President Suharto's support was regarded by other members as a significant contribution to diplomacy.

But Asean has become ineffectual since the onset of economic crisis last year. "Asean countries have failed completely to react together to the economic crisis, to the environmental crisis and to Indonesia," says Damon Bristow of the UK's Royal United Services Institute.

Asean's vision of becoming a dynamic organisation in which a group of mostly small countries are able to find together a security that eludes them on their own is increasingly looking like a chimera. For many members, especially Singapore, Asean is privately seen as the way of providing a counterweight to the growing power of China.

So, at the policy level, Asean has become a cornerstone of regional defence. In its annual forum, it combines with other countries, including the US and China, to engage the outside world in a broader debate on Asian security.

As Mr Suharto's difficulties mounted, the US has moved discreetly towards taking a greater regional role in order to fill the vacuum created by a weaker Asean. There have been high level visits to the region by William Cohen, US defence secretary, and senior military personnel. The US has signed an agreement with Singapore for the use of deep-water berth facilities at the Changi naval base.

Many worry that a weaker Asean would leave south-east Asia more exposed to Chinese influence. At one level this relates to the assertion of its claims to the supposedly oil-rich Spratly Islands in the South China Sea and to part of the Natuna gas field which Indonesia has been trying to develop.

More alarming to many Asians is the thought of how China might respond if outbreaks of violence against Indonesia's minority ethnic Chinese population became more widespread. Thus far its response has been deliberately unprovocative, but China did raise its profile after the riots last week and, if the violence became even worse, it might step up its own naval presence in the region as it did during the Sukarno transition.

Even if things do not get as bad as that analysts say the fear remains and that is hardly conducive to economic confidence. For all that it is a special case, Indonesia did weigh on financial markets from Japan to Singapore and even further afield when the riots became really bad last week. For Singapore in particular, the economic consequences of the meltdown in Indonesia are likely to be acute, since its banks are heavily exposed there. Indonesians have been active buyers in Singapore's property markets and bilateral trade is large (even though the figures are so sensitive they are not published).

For the rest of the region the direct impact is less, since bilateral trade is more limited, banking exposure is lower and most companies are looking at export markets in rich countries. Still a power vacuum in Indonesia could have a large indirect effect.

"It means an even sharper contraction in economic activity in Asia," says Ma Guonan of Salomon Smith Barney Hong Kong in Singapore. "It means international lenders and bankers will be hit harder and a more prolonged impact on currency and financial markets."

In theory, he says, the departure of Mr Suharto should be positive. "But then you have to ask, what next?" For Asia as a whole, the uncertainty implied by that question may actually have grown with Mr Suharto's departure.

OBSERVER

Wilkommen Habible

While most governments yesterday welcomed Suharto's resignation as Indonesia's president, few had much to say about his successor.

Infamous for his economic zigzag theory – which holds that you can boost the economy by sharply raising interest rates, lowering them, raising them, lowering them and so on – B.J. Habibie is seen by many as just another Suharto crony.

But there is one powerful nation whose diplomats have been alone among Jakarta's diplomatic community in singing Habibie's praise in recent months – the Germans. He is a moderate, they say. A reformist and a man who listens. On top of all that, they go on, he's a fine aeronautical engineer.

Other diplomats have a very different perspective on the new president. "It's bizarre," said one. "He's just holding court and goes on and on about his planes."

Habibie is fluent in German: he studied engineering at the Technische Hochschule in Aachen and worked for 18 years for German aircraft maker Messerschmitt Bölkow Blohm. German companies like to play on Habibie's fondness for the Fatherland when they're pitching for contracts.

Flights to Jakarta haven't exactly been overbooked in the past week or so. But as news of Habibie's succession sent the few remaining investors rushing to the airport yesterday to catch a plane out, perhaps Lufthansa had a few bookings in the other direction.

Cometh the hour

Directors of failed Asian investment bank Peregrine like to blame its collapse on bad timing – like serious exposure to Indonesia when the rupiah collapsed.

As if to prove the point, Andre Lee, the fixed income guru who spearheaded the company's drive into Asian junk bonds, chose to raise his profile with a lecture to 850 fund managers yesterday – the day the first legal writ against Peregrine was served.

Marron glassy

In these days of mega-mergers in the financial services industry, no one can feel secure. But it's a bit much when your vulnerability is flaunted for public view.

It's fortunate that Donald Marron, chairman and chief executive officer of PaineWebber, one of the leading US brokerages, is a famously cool customer. At a Forrester Research conference in New York yesterday, the audience was invited to vote on how long PaineWebber would be able to retain its independence. The majority verdict was one to three years.

Maybe Forrester was getting its own back on Marron for his views on the limitations of the technology-finance area in which it specialises.

Yesterday, Marron admitted that he could never find the e-mails sent to him by his children and ended his presentation by quoting a technical expert's view that a computer lets you make more mistakes than any other invention in history – except possibly handguns and tequila.

Party time

Aleka Paparriga, the boss of the KKE, Greece's cheerfully Stalinist communist party, is hosting a bash in Athens this weekend for unreconstructed colleagues from 50 countries.

Unlike many of its guests, the KKE hasn't exactly fallen on hard times. It still has 11 seats in parliament – more than the reformed Eurocommunists – and its bank balance is fairly sound, thanks to wise investment of the 10 per cent cut the party used to get on Greek trade with the Comecon bloc in the old days.

So Paparriga will be able to lay on lots of traditional Greek hospitality at the KKE's chain of tavernas around the capital make the three days of ouzo and argument go with a swing – and console the comrades for their current poor second place in the struggle with capitalism.

Past tense

Thai prime minister Chuan Leekpai has been burying the hatchet with some of the country's former bêtes noires. First there was a meeting with George Soros in New York – the very same George Soros who was accused by the previous Thai government of leading "a pack of wolves" to speculate against the baht.

This week, Chuan was seen hobnobbing in Hong Kong with Jim Walker, Credit Lyonnais chief economist for Asia. That's the Jim Walker who was lambasted early last year by the Thai central bank for his "absurd and irresponsible" prediction that the Thai economy would fall into recession.

The Soros meeting provoked much derision among those who attacked the foreigners last year and are now in opposition. But they seem to be accepting that attracting investment is more important than bearing grudges and said little about the Walker meeting – apart from noting that Chuan's English was improving.

Monster treat

The US Justice Department's assault on Microsoft has created a spin-off benefit for 7,500 employees at Oracle's headquarters in Silicon Valley.

Oracle boss Larry Ellison is so delighted to see long-time rival Bill Gates in a fix that he has booked a local cinema for three days to put on a show for his minions to "celebrate the US's decision to fight monsters, no matter how large and nasty". So what better choice of film than *Godzilla*?

The Financial Times

50 years ago

Alaska Railway Project
An American syndicate is reported to be willing to put up £200 millions towards building a railway to Alaska provided the U.S. and Canadian Governments first provide $375 millions to extend the Pacific Great Eastern Railways as a military defence measure from Sifton Pass B.C. to Fairbanks. Pacific Great Eastern is owned by the Province of British Columbia. A general conference of the North-West Trade Association heard a joint U.S.-Canada railway to Alaska advocated by several speakers. It was reported that President Truman had approved plans for the construction of an Alaskan railway.

Objection From Canada
Ottawa, May 21. A warning that, if Britain cuts her quota of Canadian newsprint, she may find it hard later to raise her allocation, was made to-day by an official representing Canadian newsprint manufacturers. "While we value the British market, we object to being chivvied about from pillar to post in it," he said. He was commenting on the statement that the British Government had indicated by letter to the Newsprint Supply Company that imports of newsprint from Canada and Newfoundland might be subject to severe cuts next year.

FINANCIAL TIMES

FRIDAY MAY 22 1998

THE LEX COLUMN

Zig-zag politics

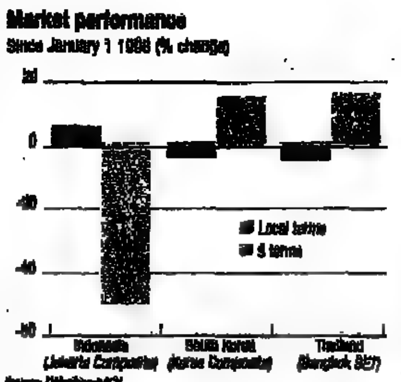
Indonesia's political transition is incomplete. President Habibie's controversial zig-zag economic theories, fondness for prestige investments and position as one of former president Suharto's closest cronies hardly endear him to financial markets. And his silence on plans for elections means it is unclear how long his rule will last.

That said, Mr Habibie's presidency looks like being only an interregnum. It may be hard to predict how the situation will develop, but that was always the problem; Indonesia has no established mechanism for peaceful political transition. The country is still feeling its way. But with Mr Suharto gone and the opposition behaving reasonably, a bloodbath looks less likely than it did.

What lessons should investors draw from the crisis? One is that political governance matters. The smack of firm government, which Mr Suharto provided, is not enough. A political system that can renew itself without too much disruption is also important. Transitions from dictatorships carry inherent risks. Moreover, the evidence from South Korea and Thailand is that it is easier for countries to embrace radical economic policies after they have undergone genuine political change.

The International Monetary Fund needs to learn this lesson too. It may not be able to make democracy a condition for lending money. But it needs to be a bit smarter about understanding how politics and economics interrelate. The efficacy of its economic programmes can too easily be undermined by poor governance.

That, though, is a far cry from saying that the IMF precipitated Indonesia's economic crisis, as some allege. True, it made mistakes – in particular, failing to appreciate the nature of Indonesia's debt problems. But Mr Suharto's repeated backsliding from implementing agreed reforms was the real culprit.



Seagram/PolyGram

Combining Seagram and PolyGram makes industrial sense. Indeed, the opportunities to reinforce PolyGram's dominant position are so great that the US hyperactive anti-trust authorities may set tough conditions for the deal.

But what about the financial logic? Annual savings of $200m post-tax should be achievable – meaning the deal could add perhaps $2bn-$3bn of value. Since Seagram is paying a premium of about $2.7bn, nearly all the value (and perhaps more) will go to PolyGram's shareholders. Its own shareholders should also be worried about how the combined music business will be managed. After all, Seagram's film operations have been a shambles.

There may be a silver lining; the deal could accelerate a break-up of the Canadian group, which trades at a big discount to the sum of its parts. To finance the deal, Seagram will spin off its Tropicana juice business, worth $3bn-$4bn. There are also $6bn of minority stakes in DuPont, Time Warner and USA Networks that should be sold. If Seagram was really interested in shareholder value, it would also find a partner like Allied Domecq for its spirits business. Unfortunately, Seagram's dynastic Bronfman family may not do that if it means losing control of their original business.

UK labour market

Is the pendulum of change in the UK labour market swinging too far backwards for shareholders' liking? Taken alone the government's White Paper represents a fairly minor rigidification of the UK's much vaunted labour market flexibility. But in the context of an imminent minimum wage and a Social Chapter sharpening its teeth, there is much at stake. On the plus side, making union recognition dependent on the support of 40 per cent of eligible workers is a concession to employers; such a high threshold means unionisation is unlikely to recover much, particularly since smaller companies are exempt. And reducing the qualifying period for unfair dismissal to one year is not an intolerable burden.

However, there are black spots: abolishing the limit on awards for unfair dismissal could lead to a proliferation of claims. And some of the parental leave proposals might deter some smaller companies from taking on women of child-rearing age. All in all, it could be worse.

Bass

Bass was pedalling hard yesterday to try to keep up its racy image after a series of transforming deals. It has unquestionably moved out of lower growth businesses – betting shops and leased pubs, for instance – and further into the higher strata of international hotels. But the £1.8bn bill for Inter-Continental – 20 times last year's operating profits – has caused some nervousness.

Bass was also up against highly respectable double digit earnings growth from Whitbread, and seemed to be bending over backwards to get the magic 10 per cent into its figures. To do this, it not only stripped out currency movements but also hotels it had sold. Surely the accountants are right to count this churning of the estate as "continuing" business. More conventional figures showed operating profit growth at less than 8 per cent.

In the parts of the group that have seen less change, the plaudits Bass has gained for innovative pub developments – such as All Bar One – were muffled by flat brewing figures. With the alcopop Hooper's Hooch plummeting out of fashion and the head coming off Caffrey's ale, the pressure to come up with fresh ideas was well illustrated.

Bass's improvements to its portfolio and balance sheet have earned it a rerating since the middle of last year. Whether the international hotel market will keep growing strongly enough to justify its premium to Whitbread and Scottish & Newcastle is another matter.

Blair pleads for Ulster Yes vote on eve of referendum

Six unionist MPs join Orangemen to denounce peace document

By John Murray Brown and Jimmy Burns in Belfast

Tony Blair last night pleaded for a Yes vote in today's referendum on the Northern Ireland peace deal as unionists joined Orangemen in a last-minute effort to persuade waverers to reject the agreement.

The UK prime minister, flanked by David Trimble, leader of the Ulster Unionists, and John Hume, the nationalist SDLP leader, warned it would be "the greatest injustice we could commit to deny the people of Northern Ireland the future they need and deserve - one of peace and stability and prosperity."

Last night, six unionist MPs – four from Mr Trimble's Ulster Unionists and two from the Democratic Unionist party – together with the head of the protestant Orange Order, held a press conference to denounce the document.

Robert Saulters, Orange Grand Master, said the Order was signalling "resolute and determined opposition to the Belfast agreement" which he said "rendered unionists a mere tradition in the Irish nation".

Ulster's 1.2m voters are being asked to vote on a deal creating a power sharing assembly for Northern Ireland and cross border institutions to co-operate with the Irish Republic. The Republic will vote on constitutional changes, in particular on renouncing its territorial claim over Northern Ireland.

The UK prime minister said: "If people ask me what my vision is of Northern Ireland, it is one in which no one gives a damn where you come from, whether you're Catholic or Protestant."

Downing Street claimed the Yes camp was making ground but the Rev Ian Paisley, leader of the hard-line Democratic Unionists, who heads the No camp, said the prime minister's stay in the province was evidence opposition was growing.

Last night, in a chaotic and angry head to head with Mr Paisley on a BBC programme Mr Trimble claimed the Yes camp was "on a roll. We are moving towards our target. We have the unionist majority."

Mr Paisley accused Mr Trimble of aligning himself with the IRA, saying "people see this agreement as an act of treachery". Mr Trimble predicted the agreement would win more than 70 per cent support. Anything less would allow Mr Paisley to claim that the majority of unionists voted against the deal, paving the way for a unionist power struggle.

Mr Trimble used the last day of campaigning in central Belfast to parade his latest backer, Sir John Hermon, former chief constable of the Royal Ulster Constabulary.

"This is such a profound issue. There is nothing in this province that will not be changed," said Sir John, clearly signalling his acceptance of proposals on police reform.

The latest opinion poll in the Irish Times suggested six out of ten voters were in favour of the deal.

Bishop Robin Eames, primate of the Church of Ireland, to which many unionists belong, said: "I've struggled with this document, I've struggled with almost every page. I have big problems, I would be less than honest if I did not say I had big problems. But I don't want to see Northern Ireland sink back to where it has come."

US money laundering probe extends to Venezuelan bankers

By Raymond Colitt in Caracas

The Venezuelan government yesterday pledged to help bring indicted bankers to justice after a US money laundering investigation extended to the country's banking sector.

Late on Wednesday, the US treasury and justice departments announced the indictment of five Venezuelan bankers charged with laundering $9.5m in illegal drug proceeds through four Venezuelan banks: Banco del Caribe, Banco Industrial de Venezuela, International Finance Bank and Banco Consolidado.

The announcement was part of Operation Casablanca, the US investigation into the laundering of drug money, which shook Mexico's financial system earlier this week.

One of the bankers arrested in Miami was Esperanza Matos de Saad, the sister of Luis Raúl Matos Azócar, the finance minister who was forced to resign last December over alleged mismanagement of public funds. Mrs de Saad acted as vice-president of the Miami branch of the state-owned Banco Industrial de Venezuela. Mr Matos Azócar said yesterday in Caracas his sister claimed innocence but he fully supported further investigations.

It is the fourth series of indictments in the sting operation led by the US customs service in which the US authorities have arrested 160 people and seized $57m, two tonnes of cocaine and four tonnes of marijuana. They hope to make nearly 200 arrests.

The most recent came after the sting operation established links between Mexican banks and the laundering of illegal drug profits from Colombia's Cali cartel and Mexico's Juarez cartel.

The announcements, which took Venezuelan authorities by surprise, renewed concerns about the extent of money laundering in this oil-rich nation and the sluggishness of the justice system, which has been unable to build a case against money laundering. The amount laundered through financial institutions could amount to $2.5bn a year, compared with total bank deposits of $160n.

Venezuela has increasingly been used by narco-traffickers, especially from Colombia, as a gateway through the Caribbean to the US and Europe. Up to 200 tonnes of cocaine are believed to pass through the country every year.

The authorities had little to say in response to the US announcement except that they were willing to co-operate fully with US authorities and would launch their own investigations.

Following an emergency meeting with president Rafael Caldera, Carlos Tablante, the anti-narcotics minister, said: "Whoever the person is, whatever their position or business, they will feel the full weight of the law."

CONTENTS


Workers finish preparations for Expo '98, which opens today in Lisbon. More than 8m visitors to the fair are expected. Page 2 Picture: Reuters

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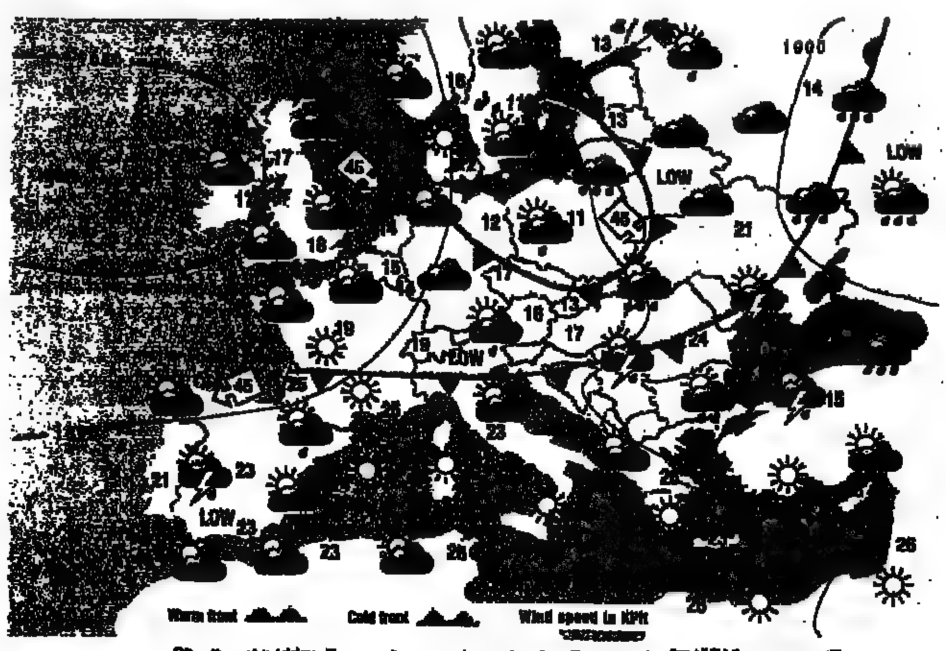
FT WEATHER GUIDE

Europe today

North-western and south-eastern Scandinavia will be showery, but the rest of the region will be mainly dry with sunny spells. The Low Countries and western Germany will be fine but fairly cool. Eastern Europe will have spells of thundery rain. France will be mainly dry with sunny spells, but showers are likely over the Pyrenees and the Alps. Central Spain and Portugal may have heavy, sometimes thundery, showers. Coastal areas and most of the Mediterranean will be dry, warm and mainly sunny.

Five-day forecast

Scandinavia will be cooler with rain or showers by early next week. Snow is likely over the mountains. The unsettled weather over eastern Europe will spread to the eastern Mediterranean by mid-week. Central and western Europe will stay fine with sunny spells but will not be particularly warm.



Situation at midday. Temperatures maximum for day. Forecasts by "PA" WeatherCentre

TODAY'S TEMPERATURES

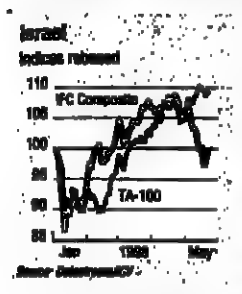
		Maximum Celsius
Abu Dhabi	Sun	36
Accra	Fair	32
Algiers	Fair	23
Amsterdam	Fair	14
Athens	Fair	26
Atlanta	Thunder	31
B. Aires	Cloudy	17
B.ham	Fair	17
Bangkok	Shower	35
Barcelona	Shower	23
Beijing	Fair	26
Belfast	Fair	17
Belgrade	Shower	20
Berlin	Fair	12
Bermuda	Shower	26
Bogota	Fair	19
Bombay	Sun	34
Brussels	Fair	15
Budapest	Shower	17
C.hagen	Sun	12
Cairo	Sun	29
Caracas	Fair	31
Cardiff	Fair	16
Casablanca	Cloudy	21
Chicago	Fair	23
Cologne	Cloudy	15
Dakar	Sun	26
Dallas	Fair	34
Delhi	Sun	35
Dubai	Sun	37
Dublin	Fair	17
Dubrovnik	Fair	22
Edinburgh	Fair	17
Faro	Fair	21
Frankfurt	Fair	17
Geneva	Fair	19
Gibraltar	Fair	22
Glasgow	Cloudy	17
Hamburg	Fair	14
Helsinki	Fair	13
Hong Kong	Shower	30
Honolulu	Fair	30
Istanbul	Shower	20
Jakarta	Cloudy	33
Jersey	Fair	17
Johannesburg	Sun	18
Karachi	Fair	37
Kuwait	Sun	43
L. Angeles	Fair	21
Las Palmas	Fair	24
Lima	Cloudy	23
Lisbon	Shower	21
London	Fair	18
Lux.bourg	Fair	14
Lyon	Fair	21
Madeira	Fair	21
Madrid	Shower	23
Majorca	Sun	25
Malta	Sun	24
Manchester	Fair	16
Manila	Thunder	33
Melbourne	Shower	18
Mexico City	Sun	31
Miami	Fair	33
Milan	Sun	26
Montreal	Fair	18
Moscow	Rain	14
Munich	Shower	15
Nairobi	Fair	26
Naples	Fair	23
Nassau	Fair	31
New York	Sun	21
Nice	Fair	22
Nicosia	Sun	25
Oslo	Sun	16
Paris	Fair	19
Perth	Fair	20
Prague	Shower	13
Rangoon	Shower	32
Reykjavik	Drzzl	11
Rio	Fair	25
Rome	Sun	23
S. Frsco	Shower	19
Seoul	Fair	26
Singapore	Shower	33
Stockholm	Fair	11
Strasbourg	Fair	19
Sydney	Fair	21
Tangier	Fair	23
Tel Aviv	Sun	26
Tokyo	Fair	25
Toronto	Sun	19
Vancouver	Rain	16
Venice	Fair	23
Vienna	Shower	16
Warsaw	Shower	11
Washington	Fair	23
Wellington	Rain	14
Winnipeg	Shower	21
Zurich	Fair	18

FINANCIAL TIMES
COMPANIES & MARKETS
© THE FINANCIAL TIMES LIMITED 1998 FRIDAY MAY 22 1998 Week 21

INSIDE

YBM hit by Russian mafia probe
Toronto Stock Exchange high-flier YBM Magnex International, a magnet and bicycle manufacturer, has been removed from the TSE 300 composite index of blue-chip stocks following allegations of connections to the Russian mafia. Critics are asking how YBM managed to amass a market value of nearly C$1bn ($700m) without regulators raising questions about its operations or some of its principal shareholders. Page 16

Eaton reaps reward of US growth
The long period of economic growth in the US has benefited Eaton more than most. Four-fifths of its $7.5bn sales last year came from North America, and the Cleveland-based maker of industrial controls and vehicle parts has seen its net income and share price rise threefold since 1992. The company says the key has been its ability to add new technologies to fairly traditional products. Page 16

Tel Aviv rises above peace deadlock


Tel Aviv's TA-100 index hit a record yesterday and has risen more than 9 per cent since the start of 1998. The Israeli market appears to be ignoring signs that the US is beginning to lose patience with the deadlock in the peace talks between Israel and the Palestinians. It failed to react to a row between prime minister Benjamin Netanyahu and the European Union over goods made in the occupied territories. Investors are more interested in economic fundamentals than the peace process. Page 32

AIG returns home to Shanghai
American International Group is the only giant of corporate America to have been born and raised in Shanghai, and after 60 years the largest general insurer in the US has come home. Page 14

Farmers fear El Niño and La Niña
US farmers fear that the tail-end of the El Niño weather pattern may bring a long, hot, crop-damaging summer. However, the real test may come in the next growing season. There are fears that El Niño will be replaced by a "La Niña" effect, when the oceans off South America cool, leading to drier conditions in the south of the US. Page 22

Pound slides on weak retail sales
Weak retail sales figures and signs that the Bank of England might be turning against interest rate rises pushed sterling to its lowest level against the D-Mark this year. The D-Mark also reached its highest level against the yen for more than five years. Page 21

Liffe to distribute reform proposals
After a delay of more than two weeks, the board of the London International Financial Futures and Options Exchange will this weekend distribute reform proposals to its 215 members. Page 20

COMPANIES IN THIS ISSUE

CROSSWORD, Page 22

MARKET STATISTICS

Sumitomo and Daiwa report large losses

Japanese banks hit as they raise speed of bad loan write-offs

By Gillian Tett in Tokyo

Sumitomo Bank and Daiwa Bank, two of Japan's biggest and healthiest banks, yesterday reported larger than expected losses in the last fiscal year, mainly because they increased the speed at which they are writing off huge bad-loan balances.

Sumitomo said it had written off Y1,043bn ($7.9bn) of troubled domestic and Asian bad debt, pushing up consolidated pre-tax losses in the year to March 31 1998, to Y502.7bn, compared with a Y34.1bn profit the previous year.

Daiwa reported a consolidated pre-tax loss of Y142.5bn in the 1997-98 fiscal year, compared with a loss of Y5.87bn in 1996-97, after bad-loan write-offs of Y389.98bn.

The massive write-offs will raise hopes that Japan's banking system is finally tackling the bad loan problem that has dogged the financial sector since the bubble burst in the 1980s.

The other 17 big banks are also expected to make write-offs and raise their estimates of problem loans when they report their results tomorrow and next week.

Tighter reporting standards were imposed on the banks in April to boost market confidence in the financial sector. The new standards require problem loans to be reported after three months of arrears or when the loan is restructured. The previous system required bad loans to be reported after six months of arrears, or when the interest rate was below the official discount rate.

Sumitomo admitted it was also making Y54bn of extra provision for bad Asian loans because of the worsening economic climate in East Asia. Its total exposure was $13.3bn to the region, it said.

Sumitomo said its estimate of remaining problem loans had risen by about 30 per cent to Y1,400bn because of the tighter reporting standards, while Daiwa raised its problem loans to Y958.1bn from Y673.3bn.

Some analysts suspect that not all the banks are strong enough to reveal or dispose of such bad loan estimates. Brian Waterhouse, analyst at HSBC Securities, said: "Sumitomo has the strength to set aside more to cover the bad loans. Many other banks are not ready to do this yet."

Sumitomo's consolidated net loss per share was Y80. Consolidated revenues were Y2,560bn, compared with Y2,570bn the previous year. It declared an annual dividend of Y8.5 per share, unchanged from the previous year, and forecast a Y170bn consolidated pre-tax profit in fiscal 1998.

Daiwa reported consolidated net profit of Y12.65bn, or Y7.11 per share. Consolidated revenues fell 10.2 per cent to Y709.27bn. It forecast a consolidated pre-tax profit of Y22.5bn in fiscal 1998.

Japan results, Page 14

Proposed tax will 'drive off' European investors

By Simon Davies in London

Investment bankers reacted sharply yesterday to a European Commission proposal for a minimum tax on European savings, which would be imposed on most European bond investors at source.

They said the move could prompt a shift in trading away from Europe, citing the introduction of tax and currency restrictions by the US in the 1960s that encouraged the creation of a eurobond market in Europe.

They also said a 20 per cent withholding tax in Japan – the same as is proposed for the European Union – thwarted the development of a local corporate bond market. Japanese companies issue large numbers of Yen denominated bonds through Japanese banks, but much of this is done out of London through the eurobond market.

The Commission argues that having exempted institutional investors and non-Europeans, the measures proposed in its directive will merely tackle widespread tax evasion by European individuals.

If these exemptions are easily obtained by institutions, the impact of these proposals would be diluted. However, eurobond market participants claim that retail investors will still be driven off-shore. These individuals buy an estimated 20 per cent of eurobonds, so this would drive up European borrowing costs.

John Langton, chief executive of the International Securities Market Association, the Zurich-based eurobond market trade association, is arguing for the exemption of eurobonds.

"If they want to drive capital out of Europe, they are going the right way about it. They are playing with fire," he said.

Under the proposals, a minimum 20 per cent withholding tax would be collected on interest paid in one EU country to a resident of another EU country. Alternatively, countries can inform the tax authorities of other member countries of payments made.

This would introduce a considerable administrative burden for "paying-agents", the banks that pay out bond coupons or interest to individuals.

Mr Langton argues the benefits will be limited. "People will either book business outside Europe, or find other ways of circumventing the rules," he said.

Both the International Primary Markets Association, which represents bond underwriters, and the British Bankers Association have also criticised the proposals.

Arguably, tax evasion has become rife in Europe because of the fact that eurobonds are bearer bonds so there is no ownership registration. As well, there are fiercely guarded bank secrecy laws, and a lack of reporting requirements. None of those issues are being addressed.

The fast growing mutual fund industry in continental Europe could also be hurt by the withholding tax.

The proposals could create problems for more than 30,000 existing eurobond issues. A number of these issues carry clauses whereby if there is any withholding tax imposed, issuers have to pay up the difference, called "grossing up".

This could then trigger the right of the borrower to repurchase the bonds at par. Given the recent fall in bond yields, many existing investors would be penalised.

Letters, Page 16

Cola float: Neville Isdell, chairman of Coca-Cola Beverages, will be on the eight-member board of the soft drink bottler when it is floated on the London and Sydney stock exchanges. Report, Page 17 Colin Beere

Sega unveils games machine to rival Sony's PlayStation

By Paul Taylor in London

Sega Enterprises, the Japanese video-games systems manufacturer, yesterday announced its next generation internet-ready games machine, designed to leapfrog competing products.

The machine, known as Dreamcast, will run Microsoft's Windows CE operating system and will become Sega's flagship product in the fiercely competitive video-games market. Sony's PlayStation, which has outsold Nintendo 64 and Sega Saturn, leads the field.

Sega helped pioneer the video-games market with characters such as Sonic the Hedgehog, but it has been hard hit by the success of PlayStation, which sold 19.4m units in the year to March 31 and commands more than 60 per cent of the world market.

Earlier this month, Sega downgraded its profit forecast for the year-end from a net profit of Y15bn ($115m) to a net loss of Y39bn. It pointed to losses at its US subsidiaries, a result of a shrinking share of the North American market.

Sega claimed yesterday that its new console would have the power "to outperform all in-home gaming platforms". The new machine will go on sale in Japan on November 20 and is due to be launched in the US and Europe "in time for Christmas 1999".

Sega is building technology from some of the world's leading IT groups into the design. Dreamcast will achieve its high-power, 128-bit performance using a microprocessor that has been enhanced for 3D games, developed by Hitachi. Sega claims the chip will be able to perform floating-point calculations – the key to high-output graphics power – four times faster than a Pentium II chip.

The machine also incorporates a new PowerVR graphics accelerator designed by VideoLogic, the UK-based 3D pioneer, and its partner NEC, which is capable of producing realistic 3D images.

"With this kind of graphics capability, the passage of time from day to night can naturally be portrayed in real time," said Sega.

Yamaha will provide the sound chips for the new system.

Saab Automobile set for further $133m investment

By Tim Burt in Stockholm

Saab Automobile, the loss-making Swedish carmaker, is preparing to inject more capital into its manufacturing facilities and product range in the latest attempt to return the company to profit.

On Monday Saab, which is managed and half-owned by General Motors of the US, will announce plans to invest more than SKr1bn ($133m) to upgrade its three main manufacturing plants in Sweden and proceed with developing a station wagon.

The company, which has been recapitalised four times since 1990, will emphasise that the latest investment will not require further funds from its joint owners, GM and Investor, the main investment vehicle of Sweden's Wallenberg business empire. Together GM and Investor – each holding 50 per cent of the carmaker – have invested SKr11.5bn in Saab since 1989. Since then, the company has accumulated total losses of SKr12bn.

Most of the new investment will be concentrated at Saab's Trollhättan plant in southern Sweden, with smaller sums directed to its Gothenburg transmissions factory and Södertälje engine plant near Stockholm.

News of the investment package, spread over three to four years, will be coupled with details of how Saab plans to launch and build up production of a station wagon based on its new 95 saloon.

Robert Hendry, chief executive, is likely to confirm that the station wagon will be formally launched at the Paris motor show this autumn.

Saab's strategy announcement comes as Volvo, its Swedish rival, prepares to announce its new S80 large car platform next Thursday following a four-year development estimated by industry analysts to have cost SKr30bn.

Saab is understood to have begun joint development work with GM on three new platforms, code-named Gamma, Delta and Epsilon.

"We have been heavily involved on the next generation of vehicles," said a Saab official. "A decision will be taken later this year on how many cars we could develop from these platforms."

The Swedish group believes common platforms could allow it to develop a fully fledged sports car and a sports utility vehicle for the first time.

If the company decided to proceed with new models and reached its target of lifting existing output beyond 150,000 units a year by 2000, it might be forced to assemble some vehicles on GM production lines to overcome capacity constraints in Sweden.

Links between Saab and GM could be strengthened next year, when the US group has the opportunity to buy out Investor's 50 per cent holding under a long-standing put-and-call agreement.

Investor, which has vowed to concentrate on telecommunications, healthcare and information technology, has the right to sell half its stake to GM even if the US group does not want to take outright control.

Motorola joins rival in satellite internet project

By Christopher Price in London and Richard Waters in New York

Motorola, the US electronics company, and Teledesic, a US satellite venture, yesterday announced a merger of their rival multimillion-dollar projects to build an "internet in the sky".

It is the second big merger in the fledgling satellite telecoms sector in the past six months and underlines the financial demands of systems that can cost billions of dollars.

Analysts put the cost of the Teledesic system – which will have some 200 satellites – at between $9bn and $13bn.

Motorola will receive a 26 per cent stake in Teledesic in return for a combination of cash and design and development work redirected from its own venture, known as Celestri. Motorola's investment was valued by the companies at $750m, putting a value of more than $3bn on the venture.

Boeing, the US aerospace group, and Matra Marconi Space, the Anglo-French company, which had previously been contracted by Motorola and Teledesic respectively to help build their systems, will become partners in Teledesic. The venture, due to begin operating in 2003, is backed by Craig McCaw, chairman and chief executive of Teledesic, and Bill Gates, chairman of Microsoft, the US software company.

Mr McCaw described the partnership as "the dream team". Although announced a year ago, Teledesic's planned network of satellites is still in the early stages of design, prompting questions over whether the project had stalled. By linking with Motorola, which is "already prepared for the mass assembly of satellites", Teledesic's network will move forward faster, Mr McCaw said.

Before the Motorola investment, Mr Gates and Mr McCaw each owned about 30 per cent of the company with another 12 per cent or so owned by Prince Alwaleed Bin Talal Bin Abdul Aziz Alsaud, the international investor.

The merger reduces the number of multimedia satellite projects to three. The other two are Skybridge, controlled by Alcatel of France, and Inmarsat, the international maritime satellite group which is launching a system aimed at delivering data to the laptop computer market in 2001.

The companies involved in Teledesic denied that it would harm competition for global internet and other broadband services carried by the network. Christopher Galvin, chairman of Motorola, compared the race to build a global satellite system with the early development of cellular telephony. Companies that were first into the market stimulated demand for new services which in turn drew in competitors.

Other groups are launching satellite systems aimed at the hand-held mobile phone market. Iridium, also backed by Motorola, is due to launch in September. GlobalStar, controlled by Loral, has pencilled in late next year, and ICO should launch in 2000.

PHARMACEUTICALS OUTLOOK GLOOMY AS GOVERNMENT MOVES HIT GROWTH

Spending limits hurt Japan drug groups

By Paul Abrahams in Tokyo

Government moves to limit drug spending hit sales and profits growth at Japan's leading pharmaceuticals companies last financial year. Most groups that have reported results for the 12 months to March 31 also forecast lower sales and profits for the current year.

The combination of average 9.7 per cent price cuts introduced in April, together with the decision by the ministry of health and welfare (MHW) to withdraw five treatments for Alzheimer's disease, was behind the expected poor results.

The MHW decided this month to revoke approval for four cerebral metabolism enhancers marketed by Takeda, Yamanouchi, Eisai and Fujisawa of Japan, as well as Hoechst Marion Roussel of Germany. Tanabe's treatment is still being evaluated.

The Japanese market fell 4.4 per cent last year, said Masaaki Tanaka, pharmaceuticals analyst at Jardine Fleming in Tokyo. This was partly due to a rise in patient contributions to the cost of medicines, which had cut demand.

He predicted the market could decline as much as 4 per cent this year. The over-the-counter non-prescription market also fell about 2 per cent last year.

Takeda, Japan's biggest drugs group, posted earnings slightly higher than expected. It also announced it planned to change its articles of association so it could buy back up to 9.1 per cent of its shares. The company has about Y400bn ($2.9bn) of cash and Y93bn of marketable securities.

However, Mayo Mita, drugs analyst at Morgan Stanley Dean Witter, said it was unclear whether the company would buy back that many shares, because it planned to invest heavily in its US marketing operations.

Other groups to announce possible buy-backs were Tanabe – up to 9.9 per cent of outstanding shares – and Eisai – up to 10.2 per cent.

Fujisawa's losses – caused by a Y75bn charge to cover the costs of ending its disastrous foray in the US non-patented drugs market – were slightly lower than expected. It predicted consolidated sales would fall 7.4 per cent this year, and that earnings would be Y8.5bn, compared with Y7bn in 1996. Its overseas sales have been driven by the success of Prograf, an immuno-suppressant typically used in transplants.

However, domestic sales are likely to suffer from the decision by Astra of Sweden to promote its own drugs in Japan. Astra's Xylocaine, a topical anaesthetic, generated sales of about Y12bn last year.

Japanese drugs companies

Consolidated results, year to March 31 1998 (Y bn)

	1998				1999 forecast			
	Sales	% chg	net profits	% chg	Sales	% chg	net profits	% chg
Takeda	[illegible]	[illegible]	81.6	14.3	[illegible]	0	78.5	-5
Sankyo*	482	4.5	82.9	28	487	0	82.9	0
Fujisawa	[illegible]	0	-1.5	n/a	[illegible]	-7.4	8.5	n/a
Eisai	[illegible]	7.2	19.8	1.9	[illegible]	2.9	23.0	16
Tanabe*	[illegible]	1.6	2.3	[illegible]	[illegible]	0	33.0	0
Yamanouchi	216	-0.1	7.3	10.8	[illegible]	-12.6	4.9	[illegible]

Source: Companies * parent company

Japanese steel sector suffers

By Alexandra Harney in Tokyo

The effects of Japan's recession and the Asian currency crisis dealt a double blow to the steel sector last year, with all the leading manufacturers reporting lower earnings.

Shrinking demand from the construction, manufacturing and car sectors held down sales growth, while extraordinary expenses from sector-wide restructuring kept pre-tax recurring profits flat.

Results were strengthened by cost cuts, higher prices for contract work, and exports.

Nippon Steel, the industry giant, announced higher net earnings for last year, but warned of difficulties in the current 12 months. The company attributed the modest growth in sales to higher steel prices.

In the chemical, non-ferrous metal and ceramics division, sales were flat at Y4,515bn ($33bn), while sales of electronics and information technology products fell slightly.

The shares closed up 1.3 per cent, or Y3, at Y236.

Cutbacks in public works projects and the deterioration of the domestic housing market hit earnings at NKK and Kobe Steel.

Sales at NKK were bolstered by exports and by output from National Steel, its US subsidiary, but reduced demand for gas pipelines and waste disposal facilities held down engineering sales. Steel sales were flat at Y728.2bn.

NKK said it would pay a Y3 dividend, and its shares closed down slightly at Y118.

Kobe Steel, which fell into the red, blamed the result on stock losses and low demand in the construction sector. Net income losses due to securities revaluation were Y17.2bn. Although steel sales increased slightly, construction machinery and semiconductor sales slipped.

Kobe announced its first dividend in four years, of Y2, to be paid for with retained earnings of Y12.8bn.

Kawasaki and Sumitomo Metals attributed poor performances to the Asian currency crisis and weak domestic demand, but both companies were optimistic about profits in the current year.

Kawasaki reported increased net income on slightly higher sales, and said earnings should rise further in the current year, from Y8.46bn to Y15bn on sales of Y1,200bn.

The shares closed up Y10, or 5 per cent, at Y210.

Sumitomo, which saw profits slide by 85 per cent, announced plans to expand into the silicon wafers business by merging with Sumitomo.

Its dividend would be maintained at Y3.

Most companies expected profitability to improve in the second half. Nippon Steel said net income would fall to Y2bn on sales down slightly at Y3,050bn, while Kobe expected to return to profitability at Y2bn, on sales down 3.6 per cent to Y1,480bn.

Japanese steel companies

Year ending March 1998, Ybn

	Sales	% chg	Net profit (loss)	% chg
Nippon Steel	3,070	9.5	9.6	72.8
Kobe	1,8[illegible]	0.1	(4.9)	-128.0
Sumitomo	1,4[illegible]	0.75	4.0	-84.8
Kawasaki	1,824	0.1	6.5	6.1
NKK	1,834	2.9	14.3	-14.3

Source: Companies

Lawsuit launched against Peregrine

By Louise Lucas in Hong Kong

Commerzbank of Germany has launched a $40m lawsuit against Peregrine, the Asian investment bank, over a currency swap executed at the time of Peregrine's demise on January 9.

The case will raise questions about the extent to which Peregrine directors – most of whom remain in Hong Kong – are personally liable and whether they acted prudently in the face of the collapse.

Commerzbank claims that when Peregrine directors entered the swap deal – and received its payment of DM73m ($41.2m) – they should have realised they were close to collapse and unable to fulfil their counter-party payment of US dollars when New York opened.

If the writ is successful, analysts expect it to trigger a wave of similar suits. "An investment bank could have hundreds of these transactions on the go at any given time," said one banker.

The court hearing will also shed light on aspects of the collapse. "Commerzbank is using our legal system to get to the bottom of what happened here," said Camille Jojo, the German bank's legal representative.

"The question will arise as to what, prudently, should the directors have done. Sould they have carried on or should there have been a freezing at that stage?"

This contrasts with the less enlightening liquidation process, which was attacked by the presiding judge.

Complaints over the handling of the process also prompted the Hong Kong Society of Accountants to investigate Price Waterhouse, the provisional liquidator.

While securities regulators are conducting their own review of Peregrine's failure, the results are not expected to be swift. Mark Dickens, executive director, enforcement, said yesterday: "The fastest ever was the Bank of England with Barings. It took a year, and that was without an inspection."

The court case is likely to hinge on the actions taken by directors, six of whom are named in the writ. These include Andre Lee, the fixed-income chief who spearheaded Peregrine's diversification into Asian high-yield bonds; Philip Tose, the former chairman; and Francis Leung, managing director.

Commerzbank said that after Zurich Group of Switzerland withdrew from talks to pay $200m for a stake in Peregrine, Peregrine directors should have ringfenced the Commerzbank payment and held it on trust.

Directors have argued that at that point they were still hoping for a bailout by the Hong Kong Monetary Authority, the de facto central bank. "Our view is that that was a pretty forlorn hope," said Mr Jojo. "We maintain they should have apprehended total failure."

The suit, filed by the Hong Kong arm of Commerzbank, is against Peregrine Fixed Income in liquidation, and will be fought by Price Waterhouse, the provisional liquidators. The possibility it will extend to the directors personally is not ruled out.

"All sorts of things might be thrown up here," said Mr Jojo. "There's a whole array of remedies which are available. And, as for any creditor who has lost this amount of money, we would look at every option.

"I'm sure [more writs] will come to light fairly quickly. Eventually, it is going to require a detailed forensic examination of what went on that day, leading to Zurich pulling out," he said. "The game was up by 3pm on January 9."

Son of corporate America returns home to Shanghai

AIG is back in the city it left 60 years ago to take advantage of the emerging Chinese insurance market, writes **James Harding**

American International Group is the only giant of corporate America to have been born and raised in Shanghai, and after 60 years, the country's largest general insurer has come home.

Its subsidiary American International Assurance has moved back into the narrow, neo-classical building on Shanghai's famous colonial waterfront – 17, The Bund.

Maurice "Hank" Greenberg, AIG chief executive, led the celebrations to mark the "return to our home of many years ago". He told an audience that included employees who had worked in the building back in the 1930s and 1940s: "AIG is very proud of our Chinese heritage and history."

AIG is the first foreign business to return to its old premises on the Bund and the homecoming is more than just a monument to the company's Shanghai origins: the prominent headquarters are a reminder of AIG's special place in China's emerging financial services market.

The Shanghainese background has also made an indelible mark on the company's internationally minded culture, one which Mr Greenberg seems disposed to defend against the fashion for grand mergers in the financial sector.

"Size can be an enemy rather than a friend. When you mix the cultures of different companies you can have difficulties," Mr Greenberg said. "AIG is a global company. Its size speaks for itself... We have a unique culture. So, to have a mega-merger just to say 'Me too' does not appeal to us."

The company started in China in 1919 when CV Starr opened a small insurance agency, American Asiatic Underwriters, moving into the imposing office building on the Bund as business grew and only later establishing the company in the US. The communist revolution in 1949 forced AIG to move on.

Under Mr Greenberg, the second chief executive in the company's near 80-year history, AIG has been back, pressing its Chinese credentials. Mr Greenberg made his first visit to China in 1975, even before the country became officially opened to foreign business in the late 1970s.

Today, he has a vaunted place in the ranks of foreign businessmen with interests in China: in 1990, Zhu Rongji, now prime minister of China but at the time mayor of Shanghai, appointed Mr Greenberg chairman of a foreign business leaders' advisory council to the city's government and last year he was made an "honorary citizen of Shanghai".

The admiration is mutual. Few people can talk up China like Mr Greenberg, who has trumpeted his confidence in Asia in spite of the economic turmoil.

Sitting in the newly-refurbished building on the Bund, he was bullish about Shanghai: "If you look down the road 25 years, then maybe we will have our corporate headquarters in Shanghai and a branch office in New York."

For the business, the relationship building has started to pay off and AIA has emerged with a unique position in the mushrooming Chinese insurance market.

Unlike other foreign insurers that have been restricted to operations in Shanghai, required to enter joint ventures with local companies and limited to either general or life insurance, AIA has licences to operate wholly foreign-owned ventures selling life and general insurance policies in both Shanghai and Guangzhou.

There has been speculation that China will shortly allow the company to start selling insurance in Beijing, but Mr Greenberg would not comment.

Business has grown fast since 1992, when AIA became the first foreign insurer licensed to operate in China: there are now 3,500 agents in Shanghai alone and premium income this year is expected to reach $80m-$100m, having risen more than 30 per cent last year.

AIG has been developing other financial services in China. The company has a finance operation involved in leasing jet aircraft to China's regional airlines and has established the AIG Asian Infrastructure Fund, which will devote some of the $1.1bn capital raised to projects in China.

Mr Greenberg says the company will consider other areas of business as the Chinese market opens – the most immediate prospect is the housing insurance business which is likely to open to help drive the government's efforts to establish a residential housing market. In the longer term, Mr Greenberg said AIG would be interested in the possibility of mutual fund management in China.

AIG's record as the foreign company first through the door into the modern Chinese financial market has been enviable. But Mr Greenberg does not take kindly to suggestions that AIG owes its success to its past or any particular connections.

"I started coming to China in 1975. I have probably been on 40 or more trips. We have done many things for China... We have worked hard on US-China relations... [The success] has nothing to do with who we know and everything to do with what we do."

On the waterfront: AIG is back in its old building on The Bund

Increased competition behind KDD's 62% fall

By Michiyo Nakamoto in Tokyo

Fierce competition in the international telecommunications market undermined profits at KDD, Japan's leading international operator, leading to a sharp decline in profits last year.

KDD suffered a 47 per cent drop in recurring profits and a 62 per cent plunge in net profits as sales fell 9 per cent amid growing competition in Japan's international call market.

Recurring profits fell from Y29.4bn to Y15.6bn ($115m) and net profits dropped from Y12.9bn to Y4.9bn on sales of Y364.9bn, compared with Y401.2bn.

The company, which entered the domestic market in the wake of liberalisation measures to bring down the border that had separated international and domestic telecoms services, has suffered from sharp price declines in the international call market.

KDD has also faced competition from new services such as international simple resale, internet telephony and call-back services.

KDD also faces the need to lower its settlement rates for international calls under pressure from the US. Consequently, its future in the market for international voice telephony is likely to remain difficult.

KDD forecasts recurring profits in the current year to fall further to Y10bn, on higher sales of Y384bn. Net profits are also expected to be higher at Y5.5bn.

In the near term, competition is expected to continue to affect charge rates, while new services have yet to contribute substantially to profits.

Toshiaki Iba, industry analyst at ING Barings in Tokyo, said: "The next two years are likely to be the bottom."

KDD had been restructuring to lower its cost base and it had an advantage in the rapidly growing market for data transmission, where its technology and infrastructure are outstanding, Mr Iba said.

KDD's plan to merge with Teleway, a domestic long-distance operator in which Toyota, the carmaker, has a leading stake, has been delayed as a result of differences over the equity swap ratio and over who would be in control of the merged company.

A merger with Teleway would be only the first step towards building a seamless service comprising domestic, international and mobile communications, said Mr Iba.

Further tie-ups, possibly with international carriers, could be expected, he said.

Orix expands in niche sectors

Orix, Japan's largest leasing company, reported record profits yesterday as the company benefited from the low interest rate climate to develop a securitisation programme, writes Gillian Tett in Tokyo.

The strong results illustrated the success that some innovative niches of Japan's financial world are enjoying – even though the more traditional banks and brokers are suffering from mounting competition.

On a parent basis, pre-tax profit rose 174 per cent to Y35.52bn ($261m); net profit grew 12 per cent to Y5.52bn.

Consolidated operating revenues rose 9.4 per cent to Y380.51bn, while pre-tax profit increased 4.1 per cent to Y38.41bn. Group net profit grew 25 per cent to a record Y23.73bn. The Y15 dividend is being maintained.

Orix is leading the expanding securitisation market in Japan, which has been underdeveloped compared with countries such as the US. It said yesterday it had taken advantage of Japan's low interest rates to raise Y300bn by securitising leasing assets.

The company is also seeking business niches in other financial sectors. In July, for example, it acquired about Y289bn in loans and leasing assets from the bankrupt Crown Leasing Corp and it is acquiring Yamaichi Trust Bank from Yamaichi Securities, which collapsed last November.

For the current year, Orix forecasts group operating revenue of Y400bn, pre-tax profit of Y55bn and net profit of Y30bn.

It yesterday announced that it would change its company articles so it could buy back up to 3m shares for Y30bn. It has 64.87m shares outstanding.

NEWS DIGEST

ELECTRONICS MANUFACTURING

Consumer downturn behind Sharp's 43% fall

Sharp, the Japanese consumer electronics and liquid crystal display maker, yesterday revealed figures hit by the consumer downturn in Japan last year, but said it saw the business environment improving this year. It also announced plans to buy back up to 100m of its shares, about 9 per cent of the total.

Group revenue was steady at Y1,790bn ($13.2bn), helped by stronger overseas sales, but parent company sales dropped 3.2 per cent. Group pre-tax profit fell 43 per cent to Y50.6bn, and net profits 49 per cent to Y24.8bn.

For the current year, Sharp sees the Japanese domestic economy and conditions in Asia continuing to be difficult, but it aims to respond with new products, improved quality and increased competitiveness. Consolidated sales are forecast to grow 3 per cent to Y1,850bn, with pre-tax profits rising 3 per cent to Y52bn, and net profits growing 5 per cent to Y26bn.

Katsuhiko Machida, currently senior managing director, will be promoted to president next month, on the retirement of Haruo Tsuji. Mr Tsuji will remain as an adviser to the company. **Bethan Hutton, Tokyo**

JAPAN TOBACCO

Monopoly upbeat despite fall

Japan Tobacco, the former state monopoly, reported sharp falls in profits but expects sales and profits to improve this year. Tobacco sales dropped in the wake of a consumption tax increase in April last year, and the group is also facing increased competition from foreign manufacturers in the domestic market. However, overseas sales increased.

Consolidated sales for the year to March 31 fell 2.7 per cent to Y3,597bn, and lower sales combined with higher promotion costs pushed pre-tax profits down 18.7 per cent to Y115.2bn and net profits down 27.7 per cent to Y58.0bn.

For the current year, Japan Tobacco sees consolidated sales growing 4.5 per cent to Y3,760bn, boosting pre-tax profits 22 per cent to Y133bn, and net profits 13.4 per cent to Y65bn. **Bethan Hutton**

ELECTRICITY

Tepco advances 53%

Tokyo Electric Power (Tepco), the world's largest private electricity company, reported its first upturn in sales and profits for three years and said it was considering buying back up to 10 per cent of its shares.

For the current year, Tepco sees non-consolidated sales slipping 3 per cent to Y5,095bn ($37.4bn), with pre-tax profits dropping 21.8 per cent to Y170bn and net profits down 23.7 per cent to Y100bn, partly because of increased depreciation costs as a large new power plant comes on line.

However, analysts said that the longer-term outlook for profitability was good. Deregulation of Japan's power industry and growing competition from independent power producers have prompted Tepco to cut costs and make sharp reductions in capital investment, as well as lowering debt, but there is room for further cuts.

Shrinking debt and lower capital expenditure already had an impact on figures for the year to March 31. Pre-tax profits rose 52.5 per cent to Y217.35bn, and net profits were 69.3 per cent higher at Y131.01bn, while sales grew 4.8 per cent to Y5,252.3bn. Earnings per share leapt 69 per cent to Y96.34, but the dividend remained at Y50.

Tepco also said yesterday it was seeking shareholder permission to change company rules to allow it to buy back up to 10 per cent, or 135m, of its shares. However, Paul Smith, industry analyst at HSBC Securities in Tokyo, said it was unlikely that Tepco would carry out more than a token share buy-back in the near future.

"I think they are trying to send a message to shareholders that they are aware of their existence and are making efforts to improve returns," he said. In the short term, Tepco was more likely to concentrate on reducing debt. **Bethan Hutton**

RAILWAYS

Falling spending takes toll

Falling consumer spending and the loss of a tax break hit profits at Japan's two largest privatised railways, but both see a slight improvement in sales for the current year.

East Japan Railways (JR East) said that advance ticket purchases ahead of the consumption tax increase in April 1997 and slow consumer spending since then resulted in no sales growth in the year to March 31. The expiration of a tax break valid for 10 years after privatisation added Y24bn ($176m) to the tax on assets. Consolidated sales were steady at Y2,515bn, while pre-tax profits fell 11.8 per cent to Y105.0bn, and net profits were 6.3 per cent lower at Y66.2bn. The dividend was unchanged at Y5,000.

In the current year, JR East sees sales creeping up to Y2,522bn, with net profits growing 3.9 per cent to Y68.8bn. Pre-tax profits are forecast to rise 28 per cent to Y134.6bn, but Laurent Del Grande, transport analyst at Dresdner Kleinwort Benson in Tokyo, said the apparent strong pick-up was largely due to accounting changes.

West Japan Railways (JR West) suffered from the same negative factors and saw consolidated net profits fall 44 per cent to Y19.9bn, while pre-tax profits fell 22 per cent to Y48bn, although sales were up 1.6 per cent at Y1,229bn. Parent company sales slipped 1.1 per cent. The dividend was also unchanged at Y5,000.

Strengthening consumption should boost consolidated sales for the current year 2.8 per cent to Y1,263bn, and pre-tax profits should be up 19 per cent to Y56.9bn, but net profits are seen falling 21 per cent to Y15.7bn. **Bethan Hutton**

CARS

Daihatsu declines 31%

Daihatsu Motor, the maker of small cars in the Toyota group, suffered a 31 per cent fall in profits amid a stagnant domestic market. Parent recurring profits fell from Y19.4bn to Y13.4bn ($98m), on sales flat at Y783.3bn. Net profits rose 8 per cent to Y6.9bn. A sharp downturn in the Japanese market led to a 9 per cent decline in Daihatsu's domestic vehicle sales. In contrast, exports rose 32 per cent. The carmaker does not expect the situation to improve in the current year: it forecasts lower sales of Y750bn and lower recurring profits of Y12bn. Net profits are expected to fall to Y6.5bn.

Michiyo Nakamoto, Tokyo

GLASS

Earnings growth buoys Asahi

Asahi Glass, the Japanese glassmaker, said earnings growth in the year to March 1998 was underpinned by the strong earnings of units in south-east Asia, the US and Europe. Pre-tax profits last year rose 13 per cent to Y58.8bn ($417m) on flat sales of Y1,350bn. The company forecast year to March 1999 operating profit to rise 12 per cent to Y74bn.

Operating profit from Asian operations is forecast to be flat at Y15bn this year because of weak Asian economies.

This year, Asahi Glass sees the operating profit of its domestic operations rising from Y23.5bn to Y32bn, with US and European operations flat at Y15bn and at Y12bn respectively. **AFX-Asia, Tokyo**

Zurich Group merger spells growth on an Alpine scale

Swiss insurer's deal with BAT is the latest step in Rolf Hüppi's plan for a 'global powerhouse'

Rolf Hüppi: the Zurich Group chief is planning his next move

Rolf Hüppi is in upbeat mood. Since he announced the proposed merger of Zurich Group with the financial services arm of the UK's BAT Industries, he has not only improved terms for the Swiss insurer's shareholders, but seen its share price rise by 50 per cent.

When it is approved next month, Zurich Financial Services will be one of the world's biggest insurance and asset management groups, with premium income of $34bn and a market capitalisation of $52bn. It will have funds under management of $375bn.

"This isn't growth for its own sake," says Mr Hüppi. "This has been driven by positions we want in particular markets and countries."

A distribution system giving an insurer direct access to the customer has become essential, he says. Increased competition and greater customer sophistication have pressured insurance companies to diversify.

For its part, ZFS will have some of the best-known retail finance brands in the US. With BAT's Farmers Insurance subsidiary, the third largest property and casualty insurer in the US, it will be able to channel an array of investment products, managed by the Kemper and Scudder Stevens & Clark asset management groups Zurich already owns, through a tied salesforce of about 14,000 agents.

BAT's businesses in the UK, life assurer Allied Dunbar, Eagle Star and Threadneedle Asset Management, will complement Zurich's dominance in Switzerland.

Mr Hüppi is already planning his next move. He wants to replicate the new US structure in continental Europe and will probably seek an acquisition to strengthen distribution there. But he is dismissive of any benefit in forging strong links with banks, which have been taking market share from insurers.

"We'll see specialists in risk transfer and in asset management and we'll be better at that. Banks have succeeded in life insurance. But that has little to do with investment performance, which will become more sophisticated as markets become more dynamic."

Shareholders looking for a detailed explanation of how Mr Hüppi intends to build a "global powerhouse" will have trouble getting it. The ZFS listing particulars published this week contained few details on the capital employed in various businesses, cost-to-income ratios and other profitability benchmarks.

Analysts question whether ZFS will succeed in selling retail investment products through Farmers. They are also concerned that Eagle Star, a poor performer among UK composite insurers, may be a handful. Zurich had until now not become heavily involved in the mainstream personal general insurance business, where the UK market especially is very competitive.

Mr Hüppi, though, is confident the direct salesforce will be successful in the US. "It's easier to sell a product to a second customer we already have than to sell one to a customer we don't have. The marketing cost is less. Also, the more products a customer holds with us, the longer he stays."

Zurich will bring its own personal insurance operations in the US under the Farmers umbrella, giving Farmers a base in the east. Farmers will also sell non-standard motor cover, insuring young drivers and expensive cars. This could be very profitable, but will need skilled underwriting.

In the UK, Eagle Star will account for most of the 1,600 job losses from the merger. There will be cost savings of $400m within three years and further restructuring could take place. "There are businesses both at Zurich and at Eagle Star where we're reviewing whether they meet earnings hurdles, whether they need more investment, and if they fit."

Another unknown, say analysts, is the quality of management. Mr Hüppi's record speaks for itself, joining Zurich in 1963 and becoming chief executive in 1991. He is a forceful character, more attuned to the excitement of Wall Street than the sleepy world of Swiss insurance. Last year, the insurer earned a return on equity of 21.8 per cent.

But he has surrounded himself with a relatively new and untested group of managers. Rolf Hänggi, Zurich's long-serving deputy chief executive, stepped down last June. Steven Gluckstern, the only other entrepreneur on Zurich's executive board, is leaving to run a venture capital business backed by Zurich, and is taking Laurence Cheng, Zurich's chief investment officer, with him. Markus Rohrbasser, Zurich's chief financial officer, joined less than 18 months ago, and Dirk Lohmann, head of reinsurance, in September.

William Hall and Christopher Adams

Losses at CME deepen to $25m

By Kevin Done,
East Europe Correspondent

Operating losses at Central European Media Enterprises, the leading commercial television operator in east Europe, widened to $25.4m in the first three months from $4.2m a year ago.

The group has been hit by the heavy start-up costs of TVN in Poland, and TV3 in Hungary, and by the introduction of channels in Romania and Slovenia.

Production costs are also rising as CME stations are forced to meet audience demand for more locally produced programming.

Michel Delloye, the group's recently appointed chief executive, admitted that TVN was "taking longer to develop than originally anticipated".

CME, which shares control of the Polish operation with the local ITI Holdings, is engaged in a costly struggle to establish TVN against public service and commercial broadcasters in east Europe's most competitive TV market.

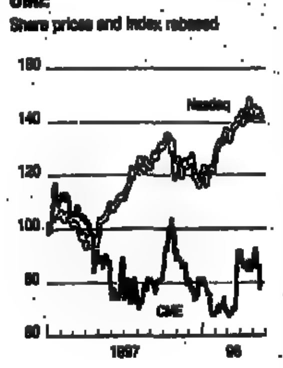
It has already been forced to compensate advertisers after failing to attract the promised audiences. CME said TVN's performance had been hit by the poor quality of its signal transmission and by programming constraints.

The net loss for the first quarter fell to $25m from $34m. Turnover rose 30 per cent to $38m.

The group, which operates stations with local partners in the Czech Republic, Slovakia, Slovenia, Ukraine, Romania, Poland and Hungary, is listed on Nasdaq exchange in the US and is controlled by Ronald Lauder, one of the heirs to the Estée Lauder cosmetics fortune.

CME's shares have fallen from a high for the year of $29.31 earlier this month to $25.

CME
Share prices and index rebased



Lukoil close to buy

By Chrystia Freeland in Moscow

Lukoil is preparing to buy Sidanco, a oil smaller producer, according to Vagit Alekperov, head of the Russian oil company.

Speaking in the provincial Russian city of Volgograd, Mr Alekperov, Russia's most respected oilman, said he was negotiating with Sidanco about a deal.

Such an acquisition, which has been repeatedly rumoured in the Russian market, would shore up Lukoil's dominance of the domestic industry.

Mr Alekperov said Lukoil was also negotiating with British Petroleum, which owns a 10 per cent stake of Sidanco. He said options for BP included a buy-out of its stake by Lukoil or continued co-operation between BP and Lukoil in Sidanco projects.

However, Oneximbank, which owns a majority stake in Sidanco, denied that such a deal was being considered.

It said Sidanco was "conducting negotiations about co-operation with various oil companies".

However, it insisted that "neither Oneximbank nor BP has taken any decision about the acquisition of Sidanco by another company".

Gas Natural to double customers

By Tom Burns in Madrid

Gas Natural, the Spanish gas group, plans to double its customer base to 8.5m clients by 2002, through expansion in Latin America and at home. It also plans to diversify into electricity.

Antoni Brufau told shareholders at the group's annual general meeting yesterday that Pta60bn ($400m) would be spent on improving gas distribution assets acquired last year in Brazil, Colombia and Mexico. A further Pta70bn would be spent on power generation projects in Spain after deregulation.

A further Pta500m over the next four years will be spent on the completion of pipelines in Spain, where the penetration of Natural Gas is well below the European Union average.

The diversification into electric power mirrors a bid by Endesa, Spain's dominant electricity generator, to move into the gas business.

Gas Natural, which is 45 per cent owned by Repsol, the energy conglomerate, raised its first quarter attributable net profits 14.7 per cent to Pta18.5bn.

● Bedzin, the Polish power group is set to challenge the mining industry's hold over the industry by building a $55m gas-fired plant in the Silesia region, writes Christopher Bobinski in Warsaw.

Bedzin, which plans a flotation on the Warsaw bourse in September, has signed a letter of intent to supply electricity to a local power distributor in Gliwice. Bedzin is also negotiating a gas supply agreement with the Polish Oil and Gas company.

The new natural gas-fired plant, which would be built in a joint venture with Steag AG, the German power group, will heat Czeladz, a nearby town of 45,000.

Plans for the new plant, which is to come on stream in 2001 with a generating capacity of 100MW–200MW, put Bedzin among the pioneers of the move to gas as a fuel in Poland.

Takeover bid spurned by Excite

By William Lewis in New York

Excite, one of the leading internet services companies, yesterday rejected an audacious takeover offer from Zapata, a Texas-based group with holdings in marine protein and food packaging companies.

Zapata, which has a market capitalisation of $232m, offered $1.68bn in newly issued stock for Excite, capitalised at about $1.45bn.

Citing the "excellent fit with Zapata's new strategic direction", Avram Glazer, Zapata chief executive officer, said the proposed transaction "makes sense for Excite's shareholders because of the capital resources that Zapata can bring to Excite".

However Excite disagreed and yesterday rejected the proposal. "Given the vast disparity in the market capitalisation of Excite and Zapata, and the complete lack of synergy between the two companies' businesses, Excite believes the proposal is not feasible, would be vastly dilutive and holds no possible value to Excite's shareholders."

In response, Zapata said it "does not plan on going hostile" but stressed its financial strength, with holdings of $126m in cash and cash equivalents, and securities worth $288m.

Founded in 1953 by George Bush, former president, as an oil services company, Zapata said it had recently announced a "new strategic initiative" to acquire internet and e-commerce businesses. So far it has made only two internet-related acquisitions, the webzines "Word" and "Charged".

The name Zapata was chosen from *Viva Zapata!*, a film about Emiliano Zapata, the Mexican revolutionary.

In 1993 the Glazer family took management control of Zapata and a year later acquired a holding in Envirodyne Industries as part of a strategic move into food production and services.

However, earlier this year Zapata decided on another change of direction and announced their intention to acquire internet companies.

Wall Street analysts reacted sceptically. One said that "while there have been many reasons to call the top of the market recently, a $250m company with marine protein interests launching a $1.6bn all-stock bid for a $1.3bn internet company is about as toppy as it gets in my humble view".

In morning trading on Wall Street, Zapata's share price fell 5.49 per cent to $10¾. Excite's shares rose 3.01 per cent to $62.

Zapata is offering $72 of newly issued Zapata stock for each Excite share.

YBM dropped from index list after FBI raid

By Edward Alden in Toronto

YBM Magnex International, a Pennsylvania-based manufacturer of magnets and bicycles, has been dropped from the Toronto Stock Exchange index list of 300 blue-chip companies following a raid on the company last week by the Federal Bureau of Investigation.

The company is being investigated by Canadian and US authorities following allegations that it may have been a channel for laundering proceeds from organised crime in Russia.

The TSE may de-list YBM, which does not trade on any other exchange. A decision could be made as early as next week depending on the response from YBM, said John Carson, TSE senior vice-president of market regulation.

The case has raised fears of another Canadian stock market debacle like last year's fraud involving Bre-X Minerals. Like Bre-X, YBM shares have been heavily promoted by several leading Toronto brokerages, including Nesbitt Burns, First Marathon Securities and Griffiths McBurney.

Since its listing on the TSE in May 1996, the stock has risen from less than C$5 to a high of more than $20, giving it a market capitalisation of close to C$1bn.

The stock was at C$14.35 when trading was halted.

Canadian mutual fund companies own roughly 40 per cent of the outstanding shares and their holders stand to be the biggest losers if the stock is delisted.

Adrian du Plessis, an independent stock market investigator who first raised concerns about YBM, charged that Canadian securities regulators have done little since Bre-X to improve their supervision of companies listed on the major exchanges.

American and Canadian authorities are examining the involvement in the company of Semion Mogilevitch, a Russian who is one of 31 original shareholders of YBM.

YBM said in a statement on Wednesday that Mr Mogilevitch had never exercised control over the company and has never had any involvement in the management of the company.

Mr Carson said the TSE has been thorough in its investigations of the company, and said allegations concerning Mr Mogilevitch's links to the firm were unsubstantiated.

Mr Carson said the decision to drop YBM from the TSE 300 index was reached after a trading halt was ordered last week by the Ontario Securities Commission. He said it was important for the integrity of the index that all its stocks be actively traded.

In an emergency meeting last week, mutual fund managers agreed to value the stock at just C$5 to C$7 in their own portfolios, said John Kaszel, research director for the Investment Funds Institute of Canada.

Aetna sells individual life division for $1bn

By Victoria Griffith in Boston

Aetna, the insurance group, yesterday sold its individual life insurance business for $1bn to Lincoln National Corporation, part of a restructuring that will leave it focused on healthcare, retirement planning and emerging markets.

Management is looking to breathe life into Aetna's financial performance, which has been lacklustre in recent years. The group's first-quarter earnings were down from $1.06 per share in 1997 to 90 cents this year.

"This [sale] is consistent with our strategy of focusing on businesses that have greater scale, strong demographics and offer high-growth potential," said Richard Huber, chief executive.

Lincoln is using the purchase to shore up its transformation from a multi-line insurance company to one specialising in life insurance and annuities.

It closed another big acquisition in January, the $1.4bn purchase of Cigna's individual life insurance and annuities business.

"This is the second major acquisition we have made in the past year to strengthen our ability to serve the affluent estate planning market," said Jon Boscia, Lincoln chief executive.

Aetna said it would use proceeds from the Lincoln sale to finance new purchases, develop internal business units, and continue its stock buy-back programme. Last year, the company repurchased 6.2m of its own shares.

Aetna has been looking for strategic acquisitions to strengthen its concentration in healthcare and emerging markets. In March, it bought NYLCare, the healthcare subsidiary of New York Life Insurance Company, for $1bn.

Last year, Aetna acquired 50 per cent of Seguros Mercantil, one of the largest insurance companies in Venezuela.

It is banking on strong growth in emerging markets. Its Brazilian and Mexican operations are particularly lucrative, and the company plans to open an operation in China this year.

While Aetna is abandoning individual life insurance products in the US, preferring to concentrate on group products and annuities, it will continue to sell individual life in other countries.

Fidelity launches Magellan promotion

By John Authers in Boston

Robert Stansky, manager of Fidelity Investments' Magellan Fund, the world's largest mutual fund, yesterday underlined that the fund would continue its traditional emphasis on a "stock-picking" investment style as the company launched a strong promotion campaign.

It was the first time Mr Stansky had given a press conference since he took over management of the fund two years ago. At the time, it was suffering from the disastrous decision to put almost 20 per cent of its portfolio into bonds in an unsuccessful bet that there would be a bear market in equities.

Fidelity suffered bad publicity and has since lost its leading market share of new sales of funds, particularly to companies that specialise in passive indexed funds that merely attempt to replicate the Standard & Poor's 500 Index.

Mr Stansky said Magellan could demonstrate advantages to investors over index funds. "We can answer the critics with performance well above the index over time. About 25 per cent of the fund's holdings are not in the S&P 500. Those positions were really helpful to our performance. The biggest were American Online and Alcatel."

He also reaffirmed Magellan's approach as a "bottom-up" fund which concentrated on stock-picking rather than asset allocation. He said he spent "zero time" attempting to predict the next move in US interest rates, and instead examined companies' balance sheets to see whether they were well positioned in the event of a monetary tightening.

Fidelity closed Magellan to new investors last September, but investors who already hold shares in the fund, or who are members of a pension plan which includes it as an option, can still take new investments.

Its decision to restart publicising Magellan follows an improvement in its performance. It has out-performed the S&P 500 so far this year, although it is still behind Fidelity's own index funds over the past five years. Fidelity emphasised its long-term performance, pointing out that a $10,000 investment on the fund's opening in May 1963 would now be worth $12.05m.

Consolidation hits Mexican fund management sector

By Henry Tricks in Mexico City

Less than a year after Mexico launched private pensions, a wave of consolidation has started among fund management groups, or Afores, that the industry hopes will eliminate the weaker players.

The pace has been set by Profuturo-GNP, Mexico's third-largest Afore, which is awaiting approval from Mexico's Federal Competition Commission to buy Previnter, ranked 11th of the 17 Afores in terms of the numbers of workers affiliated at April 30.

The purchase price was agreed at $80m, which industry officials said was higher than Previnter's investment in its first year, but on a par with sums paid in other private pension markets such as Chile's, which is also consolidating.

The industry regulatory body, Consar, said Inbursa, owned by Mexican billionaire Carlos Slim, was also awaiting approval to absorb Capitaliza, which is currently 16th in the pecking order.

This week, owners of Afore Atlantico-Promex said they were keen to sell, following the purchase of the Guadalajara-based bank Promex by Mexico's top banking group, Grupo Financiero Bancomer.

According to industry officials, Afore Confia-Principal is one of the Promex-Atlantico suitors, even though it has one of the smallest market shares, at just 0.69 per cent of workers so far affiliated.

"The talks and the flirting is beginning, but there's nothing official yet," said Raul Bravo, head of the industry association, Amafore.

Consolidation could shrink the number of Afores to 13 or fewer by the end of next year, Mr Bravo said, which he said would help shore up the system because bigger funds tended to be more profitable.

According to Consar, five of the Afores have so far registered profits. But high start-up costs and a concentration of workers in top-name funds such as Afore Bancomer, have led some of the smaller groups to consider throwing in the towel.

Web trade grows in Europe

By Paul Taylor

The use of the internet for electronic commerce in Europe is growing rapidly, according to information technology equipment suppliers and market analysts.

In the wake of Cisco's claim that Europe is closing the gap with the US in the use of the web for electronic commerce, Dell Computer, another internet sales pioneer, said its sales in Europe were now running at $1m a day.

Earlier this week, Dell announced a 52 per cent increase in first-quarter sales to $3.9bn and a 54 per cent gain in net income, reflecting the strength of its build-to-order sales model. Those figures included a 62 per cent increase in European sales to $1bn, according to Mort Topfer, Dell vice-chairman.

Dell said internet revenues now totalled $5m a day. "We expect 50 per cent of our revenues to come from the internet by 2000," said Jan Gesmar-Larsen, president of the group's European, Middle East and African operations.

Mr Gesmar-Larsen said Dell was receiving over 100,000 visitors to its European web sites a week out of a total 750,000. "Europe is about nine months behind the US and the gap is closing," he said.

Nevertheless, some fear that taxation and infrastructure problems could hold back electronic commerce in Europe. Reflecting these concerns, a group of IT industry leaders led by 3Com, the networking equipment group, announced the Alliance for the Internet in Europe. The Alliance plans to urge legislators and governments to solve issues holding back electronic commerce.

Steve Rowley, in charge of 3Com's European operations, said industry leaders were coming together "to resolve two main challenges: first, to develop a methodology for determining financial issues like tariffs and taxation so electronic commerce can reach its potential in Europe; and second, to create a European infrastructure to fix the access problems Europeans experience when using the Internet."

Wall St turned on by Eaton's high-value control systems

The successful transformation of the Ohio-based group is impressive, writes **Peter Marsh**

In a list of companies that have benefited from the long period of US economic growth, Eaton would come near the top. With four-fifths of its $7.5bn sales last year coming from North America, the Cleveland-based manufacturer of industrial controls and vehicle parts has since 1992 seen a threefold increase in its net income and share price.

Buoyed by this success, Eaton plans to increase annual sales to $10bn by early next decade, as well as lifting earnings per share by 10 per cent a year over the next three years.

A large part of this growth should come from the expansion of its operations in Europe, Asia and South America, according to Stephen Hardis, chairman and chief executive. He is looking for an extra $1bn a year of non-US revenues within five years.

In the past decade, Eaton has switched emphasis from being primarily a maker of low-value automotive parts to one that gains more than half its sales from high-value control systems for a range of industries. It has also built a large business in semiconductor production equipment.

Stockmarket analysts have generally been impressed with the transformation of an 87-year-old company that in the 1980s was viewed as a stodgy mid-west metal basher. Lisa Shallet, of Sanford Bernstein, says the company has demonstrated "clear conviction" in concentrating in fields where it has a technical and marketing edge. Eli Lustgarten, of Schroder & Co, says: "I'm exceptionally bullish about Eaton. It has the capacity to become one of the darlings of Wall Street."

According to Mr Hardis, who started his career with the company 19 years ago and has been chief executive since 1995, the key to Eaton's recent growth has been its ability to add new technologies to fairly traditional products.

"How well a company can use its engineering resources to solve customer problems is increasingly the biggest factor defining success," he says.

Last year, Eaton lifted net income 17 per cent to $410m. In 1992 net profits were just $140m, while revenues have almost doubled. This year, Eaton is forecasting further profits growth, even though first-quarter earnings were hurt by a downturn in demand in south-east Asia for its semiconductor production systems.


Confident: Stephen Hardis sees longer-term growth

Maintaining the momentum, Eaton is planning to spend $100m this year, four times 1995's figure, on what it calls "corporate growth programmes" tied to directing new or existing products into new markets or finding ways to make them more efficiently.

Research and development linked specifically to new products, as opposed to "defensive" R&D aimed at adding a competitive edge to products already on sale, will cost $215m this year, nearly 10 times the figure spent in 1995.

Much of this technological activity is being directed into Eaton's largest division, manufacturing and electrical process controls, which accounted for 30 per cent of revenues last year. Built around the purchase of the Cutler-Hammer electrical business from Westinghouse in 1994, it is among the US's four biggest makers of industrial control products, the others being General Electric, Rockwell and Schneider.

While Eaton last year sold its appliance controls division to Siebe of the UK for $310m, it is keen to expand its $700m-a-year automotive controls business at up to 10 per cent a year, according to Mr Hardis. This division, with headquarters in Strasbourg, France, gains half its revenues from outside the US and is expanding in Brazil and China.

Also poised for longer-term growth is the semiconductor processing equipment unit, a sector where it is among the world leaders. Its sales of this equipment reached $700m last year, and Mr Hardis is seeking to increase this figure to $1.5bn by 2002.

"Weakness in the important markets in Asia may hold us back a bit more than I expected a few months ago, but for the longer term I am very confident about reaching this target," he says.

The rest of Eaton's sales – about $3.5bn last year – come from automotive components.

The company has benefited from the surge in North American truck and car production in the past few years. It has attempted to concentrate on the higher-value end of vehicle parts.

Eaton is a world leader in engine valves. With INA, a German company, it is one of the two biggest specialist suppliers of "hydraulic lifters" – products used in the valve systems of high-performance cars.

With Europe and the Pacific Rim accounting only for 14 per cent and 2 per cent of Eaton's sales last year, Mr Hardis says he is looking for acquisition targets that would fit with his aim of increasing earnings per share from $6.45 last year to above $8 in 2000.

Japan and Korea look particularly promising – with potential targets in controls and vehicle parts possibly for sale at relatively low prices because of the Asia crisis.

Mr Hardis does not disagree with analysts' estimates that he would be ready to spend up to $2bn on the right acquisition.

Shareholders quiz Chrysler on Daimler deal

By Nikki Tait

Small shareholders of Chrysler, the smallest of the "Big Three" US carmakers which is proposing to merge with Germany's Daimler-Benz, yesterday got their chance to comment on the $40bn proposed deal at the company's annual general meeting but raised few protests.

One shareholder asked why anyone would want to sell an American company, making good profits – particularly given that US taxpayers' money had been used to rescue Chrysler in the not-so-distant past. Bob Eaton, chairman, pointed out that the assistance had taken the form of loan guarantees, subsequently repaid.

He also maintained that the current deal did not represent a sale to Daimler, but a merger of both businesses into a newly formed corporate vehicle.

"I'm not very enthused," commented a former Chrysler employee. "I made a lot of sacrifices to help Chrysler keep afloat in the early 1980s, along with many in the US. For many of those reasons, I'm opposed to the merger."

However, a fellow retiree thought the deal made business sense: "You have to look at this in order to survive."

Meanwhile, in response to a long protest against the Daimler-Benz deal by a woman describing herself as a holocaust survivor, Mr Eaton said that he understood the depth of her feeling. But he said: "This [deal was] done as the company exists today, not 50 years ago."

The strengthened business ties would help weigh against any recurrence, Mr Eaton continued. "In some small way businesses working together worldwide create an environment in which you're not likely to have that repeated."

The Chrysler chairman avoided detailed questions on the proposed merger, but reaffirmed his belief that consolidation would increase in the industry generally: "I can't answer any of the questions you may have about the merger, because of the SEC rules, but I can say that . . . there will be other mergers in the global auto industry. There's no question about it – that's inevitable because of overcapacity."

Chrysler, he added, was aiming to hold its own shareholder meeting to vote on the Daimler deal in August – with a view to completing the transaction by mid-autumn. The proxy document, ahead of that meeting, should be released in the first half of July.

CarrAmerica acquires HQ

By Norma Cohen, Property Correspondent

CarrAmerica Realty Corp, the US property operating company, will today make its first foray into Europe with the acquisition of the UK franchise of HQ, the serviced office provider.

The deal, worth up to £33m ($53.8m), is part of a growing move by US real estate investment trusts (REITs) to expand their property holdings into Europe to meet the accommodation needs of their multi-national tenants.

US-based corporations are increasingly reluctant to tie themselves to the long-term, inflexible lease structures demanded by UK landlords. The availability of so-called serviced offices offer a much cheaper and more manageable alternative.

HQ allows tenants to take leases as short as three months and offers services including secretarial and office support staff, video conferencing, computer facilities and internet access.

The move into Europe is expected to intensify competition for tenants in a market in which landlords have long been able to dictate rents and lease terms.

"We have done extensive research on our targeted customer base," said Thomas Carr, president and chief executive of CarrAmerica. "They want flexibility and they want to outsoure some of their short-term uses of office space." CarrAmerica's tenants include Motorola, Lucent Technologies and Clarify, a software company.

The company is one of the largest providers of office space in Silicon Valley and many of its largest clients are high-technology companies seeking to market new products in Europe.

CarrAmerica has acquired several US franchises of HQ in deals valued at about $127.2m. With this latest acquisition, CarrAmerica will own or operate 107 serviced office suites in the US and the UK with a further 17 under development in the US.

ADVERTISING MORE RECOMMENDS REVISED £475M BID FROM US GROUP AFTER MMC DECISION

Referral leaves Clear Channel ahead

By Andrew Edgecliffe-Johnson

Clear Channel Communications appeared last night to have won the battle for More Group, the bus shelter and billboard company, after rival bidder Decaux had its £475m ($793m) offer referred to the Monopolies and Mergers Commission.

Clear Channel responded by raising its offer from £446m to the level of the Decaux bid, which lapsed as a result of the reference. More's directors unanimously recommended the revised bid.

Roger Parry, More's chief executive, said the US media group seemed to have won "game, set and match". Clear Channel's broker, BT.Alex Brown, also swooped into the market to pick up 17 per cent of More's shares, and set a June 13 deadline for accepting its bid.

Analysts said the 17 per cent stake, coupled with the fact that the MMC will not tell Decaux whether it can bid again until September 8, would make it more difficult for the French group to combat Clear Channel.

However, More's shares ended 13½p higher at £11.30 – above Clear Channel's revised £11.10 offer, which it lifted from £10.30 yesterday.

Decaux said it was "considering its options with its advisers" and would make a further announcement. It recommended that More's shareholders take no action in the meantime.

Analysts said it might try to stay in the bidding by promising shareholders that, if it were to be cleared, it would return with a bid at a higher level. Mark Mays, president of Clear Channel, said: "I don't think any of the institutional shareholders will fall for that."

Decaux expressed surprise at the Department of Trade and Industry's decision. The DTI ruling, which followed advice from the Office of Fair Trading, was that "the provision of street furniture to local authorities at little or no cost, in return for advertising rights, can be regarded as a separate market" from the broader outdoor advertising market. Decaux and More together would control about 90 per cent of the market.

Decaux had argued that the DTI should have considered the broader outdoor advertising market, of which the two companies have just a 24 per cent share.

Mr Parry said if the Clear Channel takeover was successful, More would step up its efforts to invade Decaux's home turf. "We will recruit 100 staff in France to go for the French market in a massive way."

London and Sydney float for CCB

By John Willman in London and Russell Baker in Sydney

Coca-Cola Beverages, the largest bottler of carbonated soft drinks in eastern Europe, will be floated on the London and Sydney stock markets through an institutional placing expected to value the group at about £1.5bn ($2.5bn).

The new company, which will cover 13 central and eastern European countries, had sales last year of £1.2bn, generating operating profits of £47.8m. Listing particulars are expected in the next two weeks, with dealing in the shares starting on July 13.

The flotation, managed by SBC Warburg Dillon Read and Credit Suisse First Boston, will offer investors a stake in a consumer group focused largely in the emerging markets of the former communist bloc.

Coca-Cola Beverages is being created by a proposed demerger by Australia-listed Coca-Cola Amatil of its existing European Coke businesses which are in 12 countries. These include Austria and Switzerland, as well as Poland, Ukraine, Romania and seven other former communist countries.

The demerger, subject to approval in Australia, will give Amatil's shareholders one new share in the Australian company and one in Coca-Cola Beverages. That would give The Coca-Cola Company, the Atlanta-based parent of the Coca-Cola network, about 30 per cent of the shares in CCB.

The new company will also acquire the Italian bottling and distribution operations of Coca-Cola of the US for $979m. Part of the payment will be 213m shares in CCB, taking Coca-Cola's overall stake in CCB to 50.1 per cent.

The London listing will provide a clearing house for Amatil holders to sell their shares through a bookbuilding exercise by SBC Warburg Dillon Read. No new shares will be issued.

San Miguel, the Philippine conglomerate which owns about 20 per cent of Amatil, intends to sell at least a quarter of its CCB shares through the clearing house. The Kerry Group, controlled by Malaysian tycoon Mr Robert Kuok has yet to decide what to do with its 4 per cent stake.

Lex, Page 12

Bass lifts gloom in sector

By John Willman

Bass, the UK's second largest brewer, said it saw no sign of an easing in consumer spending in its 2,625 pubs where sales were rising by 4.4 per cent a year and profits by 13.6 per cent.

The statement boosted the shares of most pub operators, which had been slipping after several recent warnings of poor sales over the wet Easter holiday. Bass shares rose 17p to £10.87.

Sir Ian Prosser, chairman and chief executive of the brewing and hotels group, said Bass planned to invest about £300m in its pubs this year, with returns of about 19 per cent a year and no fall-off in the second year.

But he warned that competition was hotting up in a sector where most brewers were continuing to invest heavily.

The group reported a 68.6 per cent increase in pre-tax profits to £538m ($895m) for the 28 weeks to April 11. This was after net exceptional gains of £229m, including profit on the disposal of its leased pubs business, Gala bingo clubs, Coral's betting shops and Barcrest gaming machines.

Integration of the 187-strong Inter-Continental group was going smoothly. The £1.77bn purchase was completed on March 26, so had no impact on the results.

In brewing, export figures were hit by the strength of sterling and reduced volumes of Hooper's Hooch, the alcopop.

Lex, Page 12

Sir Ian (l) and Richard North, finance director, confirm smooth check-in for £1.77bn Intercontinental hotel chain

RMC in German cement purchase

By Jonathan Guthrie

RMC Group, the building materials company, has bought Wulfrather, a German cement business, for DM453m ($250m) in cash and the assumption of DM61m in interest-bearing debt.

RMC said the move would confirm its position – previously hotly contested – as the third-largest cement producer in Germany, behind the two market leaders, Dickerhof and Heidelberger.

Kevin Cammack, an analyst at Merrill Lynch, the broker, said the purchase was part of a broader "consolidation drive" for UK building materials companies.

Wulfrather was put up for sale by Rheinische Kalksteinwerke Wulfrath, a privately-owned industrial group, late last year.

The company produces some 3m tonnes of cement a year. This compares with estimated output from RMC's existing German operations of 6m-7m tonnes.

The business made pre-tax profits of DM42m on turnover of DM268m in the year to September 30 1997.

Net assets of Wulfrather were valued at DM80m before the deduction of debt and include 47m tonnes of limestone reserves. Analysts said revaluation of the assets according to UK accounting standards would almost double their value.

RMC said that reorganising Wulfrather would cost about DM17m in 1998, but that eventual cost savings from combining it with its existing German business would be more than DM30m a year. The full benefit will not be realised until 2000.

RMC is tipped to sell some of the assets of Wulfrather to realise up to DM150m.

Mr Cammack said: "After disposals, RMC will effectively have paid £125m for a business that could earn over £20m in about two years – that does not strike me as bad going."

PowerGen sets its sights on a US buy

By Andrew Taylor

A large US acquisition and purchase of a UK regional electricity supply company were at the top of PowerGen's shopping list, Britain's second largest fossil fuel generator, said yesterday.

The group plans to raise cash by selling its domestic offshore oil and gas interests, which it estimated to be worth "some way north of £300m".

Ed Wallis, PowerGen's chairman, also swung the group's support behind efforts to preserve a power station market for British coal.

The generator, which has lost market share to independent gas fired stations and nuclear power, yesterday reported pre-tax profits before exceptionals up by only £5m to £580m ($970m) in the year to March 29.

The figures excluded a £202m windfall tax and a £369m write-down, mostly against the company's oil-fired power station at the Isle of Grain. The shares fell 16p to 785p.

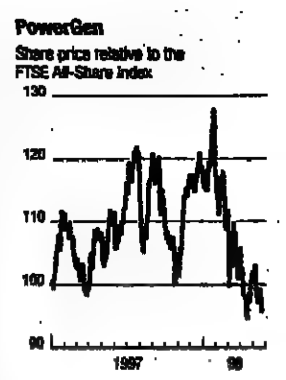
Mr Wallis said the group needed to replace lost earnings from generation.

He confirmed that talks had taken place with a number of potential partners in the US. These are thought to have included merger talks with Houston Industries which could involve the creation of a £10bn business.

National Power, Britain's largest fossil generator, complained this week that prices being offered for US electricity businesses were too high.

COMMENT

PowerGen



Managing decline does not feature in PowerGen's lexicon. Yet. Yesterday's results were strong enough to ward off the unflattering description for the moment. Government plans to impose a moratorium on new gas-fired power stations will also do its bit to bolster the generators' market dominance. But falling volumes and falling prices are inevitable. PowerGen reckons pool prices nudged down a mere 0.4 per cent year-on-year – odd given that the country was basking in the fifth warmest winter this century. Still, PowerGen does more of its business via contracts, and the price of this electricity will fall this year.

Fortunately for PowerGen, it is in a position to do something about the gap this will make in its earnings. With net debt of some £480m, its ratio of net debt to enterprise value is under 10 per cent. If PowerGen were a water company, shareholders would be demanding a share buy-back. PowerGen has other plans. A new government may look more kindly on its renewed ambitions to buy into the electricity supply businesses. Buying a route to market would make strategic sense, but whether it can buy UK assets at value-creating prices remains to be seen. A US deal, structured as a no-premium merger, could also be attractive. If the right deal cannot be done, the pressure for a buyback will be on.

More Group

Decaux's bid has – rightly – been referred to the Monopolies and Mergers Commission, putting Clear Channel in pole position to win More Group. The MMC will probably find that Decaux/More's potential domination of the street furniture market would squeeze local authorities too hard for comfort. By raising its bid to match Decaux's now lapsed £11.10 a share, Clear Channel has been forced to recognise the inadequacy of its earlier offer. Even now, at 10 times 1998 earnings before interest, tax and depreciation, Clear Channel is still getting More's leading position in a fast growing market on the cheap. As yesterday's closing price of £11.30 suggests, More shareholders could probably squeeze Clear Channel for another 30p-40p. If Decaux issued an indicative offer well over £12, reflecting the time value of money and the risk of an MMC block, pressure on Clear Channel to raise its bid would mount.

Strong debut for Computacenter

By Christopher Price

Strong demand for shares in Computacenter pushed the market value of the UK's biggest combined computer distributor and services group to more than £1.3bn ($2.17bn) as it made its debut on the London stock market.

The closing price left Philip Hulme and Peter Ogden, the founders, holding shares worth about £600m. Mr Hulme, chairman of the group, also received £33.5m from the sale of shares in the float, which he has said he will donate to charity.

The shares were priced at 670p – top of the projected range – giving a market capitalisation of £1.1bn. However, with the offer more than 10 times subscribed, the shares rose sharply hitting 822½p at one stage before settling at 788p.

The demand for the shares underlined the continuing appetite among fund managers for shares in the UK information technology software and services market.

Computacenter is raising about £48m from the offer.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Airflow Streamlines	Yr to Feb 28 ★	93.1	(105)	5.63♥	(2.1)	59.86	(15.74)	8	July 20	8	8	8
Bass	28 wks to Apr 11	2,348	(2,693)	538♥	(318)	49.7	(24.8)	9.1	July 27	8.3	-	27.5
Brooke Industrial	6 mths to Mar 31	14.8	(15.2)	0.924♥	(0.697)	9.31†	(7.8)	1.75	July 3	1.5	-	5
Capital Radio	6 mths to Mar 31	58.1	(53.9)	25.6♥	(18.1♥)	23.2	(16.1)	4.75	July 1	4.3	-	13.75
[illegible]	Yr to Mar 31	25.4	(27.8)	2.73♥	(2.01)	25.58	(18.67)	6.25	July 31	5.5	9.25	8.1
Creative Publish'g	Yr to Mar 31 ※	155.3	(180.9)	5.24♠	(13.6)	0.55	(9.37)	5.75	July 19	-	5.75	-
Electronic Data	6 mths to Mar 31	5.61	(6.46)	1.24	(0.803)	3.23	(2.01)	0.667	Aug 3	0.667	-	2.2
El Oro	Yr to Dec 31	-	(-)	1.84	(2.75)	29.69	(43.28)	23.5	Oct 30	22.5	23.5	22.5
Exploration Co	Yr to Dec 31	-	(-)	2.2	(3.07)	13.33	(18.22)	11.5	Oct 30	11	11.5	11
Greenway	Yr to Mar 31	15.3	(12.9)	1	(0.157)	4.32	(0.87)	1.5	July 23	1.5	2	2
Old English Pub	Yr to Mar 29 ★	36.2	(14.9)	4.6	(1.63)	14.61†	(7.77)	1.8	June 19	1.2	3	2
PowerGen	Yr to Mar 29	2,932	(2,898)	211♠	(577)	19.3‡	(64.2)	20	July 31	17.4	29	25.2
Providence Res ♣	6 mths to Feb 28	0.732	(-)	0.037L	(-)	0.01L	(-)	-	-	-	-	-
Recognition Systems	6 mths to Mar 31	0.327	(0.328)	1.33L	(1.13L)	3.8L†	(4.1L)	-	-	-	-	-
Southnews	Yr to Mar 28	43.6	(37)	7.41♠	(6.33♥)	31.61	(26.61)	6.5	Aug 7	5.5	9.5	7.75
Storehouse	Yr to Mar 28	1,335	(1,250)	125.1	(97.8♠)	21.4	(15.2)	5.4	Aug 18	4.8	9	8.1
Vosper Thornycroft	Yr to Mar 31	214.1	(243.2)	32.8	(30.7)	66.9	(61.9)	20.35	Aug 12	18.5	28.6	26
Warner Howard	Yr to Feb 28	27.4	(28.7)	7.13♠	(7.88)	20.46	(22.04)	8.15	July 2	7	12	10.5
Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Fleming Worldwide	Yr to Mar 31	89.3	(66.6)	3.57	(3.58)	4.61	(4.63)	1.56	June 25	1.56	4.56	4.56
Hoare Govett Small	Yr to Mar 31	186.06	(163.73)	3.24	(2.38)	3.84	(2.82)	2.25	July 2	1.5	3.75	2.75
Hoare Govett 1000	Yr to Mar 31	128.84	(118.67)	1.14	(0.834)	2.27	(2.07)	1.1	July 2	0.8	2.1	1.6

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ★Comparatives restated. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ‡On reduced capital. ♣Irish currency. ※Comparatives pro forma.

BUSINESS LUNCH BOB AYLING, BRITISH AIRWAYS CHIEF EXECUTIVE

All smiles in the workshop

Lucy Kellaway has a smooth trip around BA's new offices, but finds the grins fixed and the in-flight salad dull

"Dear Lucy (if I may)," wrote the chief executive of British Airways. "I would be tempted to have lunch with you on the condition you have lunch with me here. There are good things being done in British Airways at the moment which I would like to tell you about. Yours very apprehensively, Bob."

Bob Ayling does not look in the least apprehensive as he comes down to meet me in the reception of British Airway's brand new headquarters. Smooth and smiling, he makes it clear that he is in full control of the occasion. First, he says, he will give me a tour of the building. Then we will grab a quick bite in the canteen. Then we will have a further tour of the building. Okay?

Great, I say, but my heart is sinking. I had hoped for a long private session with this New Labour businessman; a long session with a building is not quite the same. Still, as buildings go, this one is quite something, light and airy – the last word in corporate fashion. Off we go down the main street, past the river that runs along it, the café and the supermarket.

"I don't like to think of it as a head office at all," he says enthusiastically. "I prefer to call it a workshop."

As we progress around the "workshop", I notice that everywhere people are smiling – or rather they start smiling as soon as they see my guide.

"Hi, how are you," he says to a lady selling flowers. "Fine!" she beams back. "Hi, Alan!" he says to a man wearing a large badge saying "Alan". "How's it going?" "It's exciting!" says Alan.

He takes me up in the glass lift to one of the work spaces. Bob (if I may) asks a young man in a T-shirt to tell me all about "hot-desking" – the trendy office system that prevents anyone having their own desk. "It's really great!" says Anil. "Thanks Anil!" says Bob.

December 19, the day he moved into this building, was the happiest day of his life, he says. At first it was cold and he took to wandering around in a jumper. Before long other people started to copy him, and, much to his pleasure, a new-look informal style of dress at British Airways was born.

'Hi, Alan!' he says to a man wearing a large badge saying Alan. 'How's it going?'

I point out that sweaters are the trademark of the competition at Virgin Airways, and Bob stops smiling. "It's not something to make a big deal about," he says coolly.

"Let's go and have some lunch," he says at last. He steers me past a smart dining area with white table cloths.

"I don't go in there," he says dismissively. "The food is great in the canteen and I meet people." Inside he makes for the salad bar. "The rollmops are good," he says, avoiding them and helping himself to a few pieces of cucumber and a modest portion of kidney bean salad. I choose a mixture of dull salads and supplement it with crumble and custard. We queue up, like everyone else, he gives them his electronic card, and we take our trays to an empty table. Who does he usually sit with? I ask. Does he suspect that staff may live in dread of the chief executive joining them just as they were starting to moan? "Moaning about me, you mean?" he says and laughs.

There was a time last year when some of them did more than moan about him, they went on strike.

"It was strange being accused of being a 19th century mill owner," he says recalling that time. "If only people knew what 19th or even 20th century mill owners were really like! This must be one of the world's most attractive employers!"

He talks with the air of a man certain he is right, puzzled as much as hurt by the scale of last year's upset.

As he picks at his lunch he looks me straight in the eye. The effect is unnerving; he seems to be challenging me, but I am not quite sure how.

I ask whether the job is worth it. "What I really like is the ability to bring about change," he says, as if reading from a script. I persist: does he ever wish he wasn't chief executive of BA. No, is the answer.

I ask what he does when he isn't running BA. Apparently he spends time at home, sits in the garden, walks and reads.

"Do you read? What are you reading at the moment?" He fires off the questions briskly, and I imagine how uncomfortable it would be to be an employee without the answers to hand. He is reading Michael Ondaatje's *The Skin of a Lion.*

"I try to read things I enjoy," he says. So that rules out management books, I say. He laughs. "I did read one once. I don't think I finished it.

"Management is about...I don't really know – I'm learning still." He puts his hand on his heart. "I learnt everything from Colin." The idea that this manager who has opted for an ultra-friendly style could have learnt the tricks of his trade from his cold-as-ice predecessor, Sir Colin Marshall, was a surprise, but I let it pass.

One of the crew: 'The food is great in the canteen and I meet people' Colin Beere

He takes the refreshing view that management is a down-to-earth task; that deciding the grand strategic direction is a tiny part of the job. "We have people who think about strategy, they come up with the ideas and we try to spot the good ones. We make mistakes – sometimes it's luck, sometimes judgment. It's more important to cheer people up."

The next stop is the cappuccino bar. I ask him about the ordinary house in Stockwell, south London, where he has lived since his children were small. "Every time I suggest we might move I get lynched by the family, so I've given up." I say that living somewhere so modest has done his image plenty of good. He shrugs: "I'll tell you what I like about it. If I got the sack tomorrow everyone I know who lives near by would still know me as Bob Ayling. I wouldn't be this bloke that has just got the sack."

"Now," he says as soon as I've drained my cup, "I'm going to take you upstairs to show you my non-office."

He has already made so much of not having an office that I am surprised to find an area with glass walls on three sides, a big sofa, chairs and a table. It is comfortable, spacious and quite private. I point out that he is not exactly in with everyone.

"Well," he says. "Yes and no. Being in with everyone else may not be what they want. I would have been perfectly happy to do it. Here everyone can see me. People don't need appointments, if I am busy they will go away."

On the coffee table is a copy of that day's FT carefully folded on an article I had written. He says something lightly disparaging, and I warm to him. Being professionally nice is not good for someone as sharp as Bob Ayling.

However, the departure from script is brief. He gets himself a prompt sheet and reads out facts and figures about how many people want jobs at British Airways, and by way of a going home present hands it to me.

It takes some time to leave the building as everyone we meet needs greeting. I tell him when the article will appear. "I will live in fear and trepidation. I vowed I would never subject myself to this." The idea that Bob Ayling has done something against his better judgment does not sound plausible, somehow.

TECHNOLOGY SEARCH FOR STELLAR LIFE

Light on the big question

Bruce Dorminey asks if intelligence elsewhere may have harnessed photons to communicate

Searching for extraterrestrial life is an arduous and – so far – fruitless occupation. But the introduction of megawatt lasers on earth has given new hope to the scientists involved.

What if extraterrestrial civilisations were to use similar technology for interstellar communication? If an optical signal had been sent from such a powerful laser towards earth, whether in the form of pulses, continuous waves, or data-loaded nano-second laser beacons, current photon-counting technology could easily differentiate its flashing light from an ordinary twinkling star.

"An off-the-shelf laser reflected on to one of our big optical telescopes could communicate out to 4,000 light years, reaching a million stars," says Dan Werthimer, a research astronomer at the University of California at Berkeley and chairman of an optical Seti (Search for Extraterrestrial Intelligence) working group for the California-based Seti Institute.

"Information could be put on the signal by making it brighter, dimmer, leaving out pulses or changing their timing."

Because optical beams are incredibly narrow, any civilisation would almost have to be aiming directly at the sun to communicate.

Yet it is also possible that such civilisations might use short-lived laser pulses to sweep the sky, somewhat along the lines of a message-bearing interstellar lighthouse beam.

It is these beacons that some astronomers are hoping to find. Ragbir Bhathal, astrophysicist and chairman of the Seti Australia Centre at the University of Western Sydney Macarthur, has a $50,000 optical Seti project in the offing using a newly purchased 16in telescope and a photon-counter.

This year Dr Bhathal will search areas surrounding 30 sun-like stars, visible only from the southern hemisphere, which all lie within 100 light years of earth.

After collection, light from the stars' immediate vicinity will be fed into analytical software networked to a PC. The idea is that even if a nano-second flash appears near a bright star, the flash would be bright enough to be seen and interpreted as artificial.

An intelligent optical signal from 10 light years is estimated to provide about 90,000 photons a pulse, with each photon signifying a data bit. And although photons diminish and are lost over great distances, it might be possible to discern a pattern or message content in the spacing of individual photons.

Operating on a tight budget and with little experimental equipment, Dr Werthimer's group at Berkeley has constructed detectors that have been tried on a handful of stars.

By attaching two photon collecting tubes to the same telescope, the same light can be sampled with greater reliability.

A third control detector may be mounted on an auxiliary telescope simply to ensure that the natural flashes from a cosmic ray shower would not be confused with an intelligent signal.

The Berkeley team will officially begin surveying later this summer, looking for short pulses from a few thousand stars on one of the university's 30in telescopes.

The ultimate goal is to sample light from the vicinity of earth's 5,000 nearest stars.

"One bright flash would be very exciting," says Dr Werthimer. "But unless it is repeated, no one is going to believe you."

HEALTH HAYFEVER AND ALLERGIES

Breathe uneasy

Pollen and other allergens can turn summer into an ordeal for an unlucky few, says **Vanessa Houlder**

"Summertime, and the living is easy," goes the seductive Gershwin classic. But for an increasing minority, summertime is more like an endurance test.

In the next week or so, grass pollen will start to be released. That will trigger the familiar symptoms of sneezing, a streaming nose, and swollen eyes among myriad hayfever sufferers.

Hayfever affects ever greater numbers of people – even though pollen counts have gradually diminished during the decades. Its increase reflects a trend that also includes asthma, which causes breathing difficulties and eczema, or itchy, inflamed skin. All three disorders are caused by allergy, an over-reaction of the immune system to otherwise harmless substances.

The number of people who suffer allergies in the western world is doubling every decade, according to Professor Robert Davies, president of the British Allergies Foundation (BAF). "There is something different in the way that young people today are reacting to environmental agents. This is a phenomenon that is happening throughout the affluent world. There are no simple explanations."

Doctors have long recognised a genetic component to allergies. Last year, scientists at Washington University School of Medicine in St Louis identified a genetic mutation that appears to make people more susceptible to allergies, whether expressed as asthma, hayfever, eczema or all three. Genetic factors may partly explain some surprising facts about allergies: for example, the high incidence of asthma in New Zealand where environmental factors such as pollution are relatively low.

But genetics cannot explain the increased incidence of allergies over a single generation. This, most commentators think, must be blamed on environmental factors.

For one thing, the diet of people living in affluent countries has changed. People eat a wider range of foods, with more colourings and preservatives. Antibiotics are much more widely used, in treating disease and in food production.

There is also evidence that air pollution makes people more sensitive to allergens. In Japan, researchers found people were more sensitive to cedar tree pollen if they lived near roads than if they lived in the forest. Other studies have shown that particles from diesel exhaust appear to increase sensitivity to pollen.

The indoor environment has also changed. Many of today's houses and flats are so well insulated that there are few natural draughts. A house now exchanges fresh air for indoor air only about once every five hours.

This warm, moist atmosphere – coupled with the greater use of soft furnishings and wall-to-wall carpets – provides an attractive environment for dust mites, the minute creatures whose droppings are important allergens.

Will the increasing incidence of allergies continue? Opinion is divided. But Prof Davies thinks it possible the problem may eventually embrace nearly everybody.

"It could become like the common cold. Everyone has it at some stage in their life," he says.

Arresting the trend may depend on developing a vaccine, or else changing the environment, he says. Prospects for a vaccine that protects against the tendency to develop allergies are promising, he says. Researchers are trying to exploit the finding that infants who are exposed to infectious disease early in life are less likely to suffer from allergies.

Prof Davies is also enthusiastic about immunotherapy, which seems to retrain the immune system by exposing it to increasing amounts of the allergy-producing protein.

Reducing contact with the house dust mite can be hugely helpful for people with eczema, asthma and hayfever. Allergy sufferers are usually advised to ensure their homes are cleaner and better ventilated. That may mean regularly vacuuming the mattress, upholstery and carpets with a high filtration vacuum cleaner; dusting with a damp cloth; boiling or freezing children's soft toys and covering mattresses and pillows with dust mite barriers.

Although that may not sound too onerous, the never-ending battle to keep allergens away from the allergy sufferer can be demoralising. A survey published this week found that 60 per cent of allergy sufferers complained of associated psychological and emotional problems.

Some problems are intractable, but many people are suffering unnecessarily. Hayfever sufferers, for instance, have a better range of treatments available to them than a few years ago.

"For most people, there are adequate medications around," says Dr Jean Emberlin of the National Pollen Research Unit. Her advice to hay fever sufferers is to seek medical advice.

ON THE BUTTON HOME VIDEO SYSTEMS

How never to miss another programme

The latest development in recorders brings both peace of mind and better quality to your home viewing, says **David Murphy**

When preparing for a holiday, setting the VCR to record programmes while you are away is a low priority. The cab is at the door, you are hunting for your passport – and there is no time to trawl through the television guide, then set individual timer blocks for each desired programme.

But how about a machine you could instruct to record every sports programme, or every documentary, with only a few key presses, and with the capacity to squeeze 49 hours' of programmes on to a single tape?

That is no longer fantasy, but the promise offered by D-VHS (Data/Digital VHS), the latest development of the long-established VHS home video format.

D-VHS is an industry standard defined by a consortium including JVC, Panasonic, Hitachi and Philips. D-VHS VCRs record compressed or encrypted digital broadcasts on to tape in their original state as digital data, offering exceptional quality and versatility.

D-VHS machines have been available in the US since the autumn and should go on sale in Europe next year. The format is separate from DVD (Digital Versatile Disk) for pre-recorded films, another system for which the electronics industry has high hopes, and which is also arriving on Europe's high streets.

While the first generation D-VHS models do not yet offer "record by category" facilities like the one described, such digital trickery should appear on D-VHS VCRs in about 2000. But the format has a lot to offer.

When recording from a digital source on to a high-grade Super VHS cassette, a D-VHS VCR can record seven hours of material at studio quality, based on a maximum transfer rate of 14.1 megabits per second (Mbps) provided for under the DVB (digital video broadcasting) standard. It has all the embellishments transmitted by the broadcaster, such as a digital surround soundtrack or multiple language soundtracks.

Or the machine may record 21 hours of material at Super VHS quality (which offers about 60 per cent more detail than VHS); or 49 hours of VHS quality material.

The viewer can choose the quality of the recording desired, up to the maximum transmitted by the broadcaster. If the broadcaster is transmitting programmes at a lower bit rate to increase channel capacity, the D-VHS VCR will accommodate more of the material at slightly lower quality. If a broadcaster were to transmit material at 4Mbps, a viewer may even choose to record three channels simultaneously, so long as they are transmitted in the same digital datastream, or multiplex. In theory, one tape may accommodate 147 hours' worth of material in this way.

With a maximum storage capacity, per tape, of 44.4 gigabytes – 60 times the capacity of a compact disc and eight times that of the latest DVD-RAM discs – D-VHS machines also offer the potential for high-capacity data storage for computer applications.

With the advent of digital broadcasts, it seems certain the format will have considerable appeal. Richard Ames, marketing manager for video equipment at Philips in the UK, which plans to launch a D-VHS VCR in 1999, confirms this: "We believe D-VHS is a very strong proposition because it gives the consumer access to the benefits offered by the flexibility of digital broadcasting."

When our holidaymaker returns home from his break, for example, and fires up his second or third-generation D-VHS VCR, he will not have to wade through 49 hours of material to see what he has taped. Subject to broadcaster co-operation, an onscreen list will tell him exactly what is on the tape, and by scrolling down to the programme he wants to watch, he can find it in seconds.

The system may also help broadcasters sell pay-per-view events. A boxing match might be transmitted alongside a documentary about the fighters' careers, which would be available on playback.

EURO PRICES

EQUITIES

Ascension holiday curbs gains

EUROPEAN OVERVIEW

By Philip Coggan, Markets Editor

It could have been a great party, but hardly anyone turned up. After Wednesday's 100-point plus jump on Wall Street, and the resignation of Indonesia's President Suharto, it could easily have been a banner day for European stock markets. But most bourses were closed for Ascension day.

Milan, Madrid and London were all open, however, with the result that the Europe-wide indices did make some modest gains, in spite of the fact that only a limited proportion of constituents were trading.

The FTSE Eurotop 100 index gained 1.7 to 2,811.66, while the broader Eurotop 300 rose 1.53 to 2811.66. Ratin, part of the demerged Danish group Sophus Berendson, has joined the Eurotop 300, replacing Energy Group of the UK, which has succumbed to a takeover from the US.

The FTSE Ebloc 100 index, limited to stocks in those countries which will be initial members of the euro club, gained 3 to 1,031.92.

Bond markets were quiet but fairly supportive. However, there was a negative factor in the form of a weaker US dollar. It fell to its lowest level in four months against the D-Mark after the Federal Reserve failed to raise US interest rates earlier this week, and the Suharto resignation removed some of the currency's "safe haven" status.

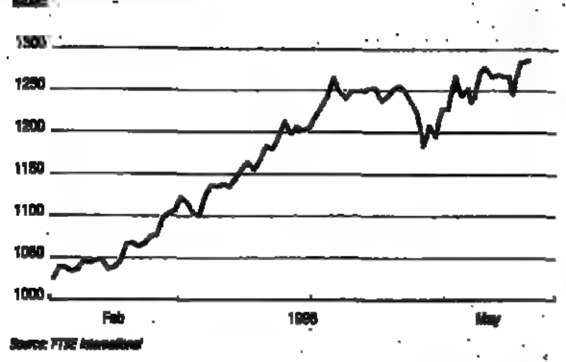
With Wall Street slightly weaker by the time Europe closed, and the Indonesian situation far from resolved, there was no guarantee that yesterday's closed markets, which included Paris and Frankfurt, would automatically get a lift today.

Trading is expected to be light ahead of the weekend, especially as the US and UK markets are closed on Monday.

The best-performing sector of the day was oil exploration and production, which managed a 1.5 per cent gain. Hopes of good news on reserves helped Enterprise, up Ecu 0.1 to Ecu 8.54, and Lasmo, up Ecu 0.1 to 4.25.

Consumer stocks were generally weaker than industrials. The alcoholic beverages sector fell 1.8 per cent, with Diageo, the group formed from the merger of Guinness and Grand Metropolitan, dropping Ecu 0.4 to Ecu 10.5.

Eurotop 300 Eurobloc



Source: FTSE International

THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

EURO OPTIONS (LIFFE)

FTSE EUROTOP 100 INDEX FUTURES (LIFFE)

EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX)

OTHER INDICES

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

May 21

National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Ecu)
FTSE Eurotop 300	1226.75	+0.12	+1.53	1.94	12.40	1248.23
FTSE Eurotop 100	2811.66	+0.06	+1.70	2.01	10.69	998.99
FTSE Ebloc 100	1031.92	+0.29	+3.00	1.80	5.29	1037.26

FTSE Eurotop 300 Regions

FTSE Eurotop Industry Sectors

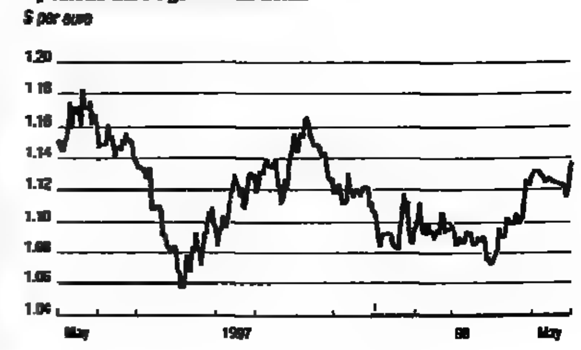
FTSE EUROTOP 300

CURRENCIES & MONEY

FT SYNTHETIC EURO RATES

Synthetic Euro against the dollar

$ per euro



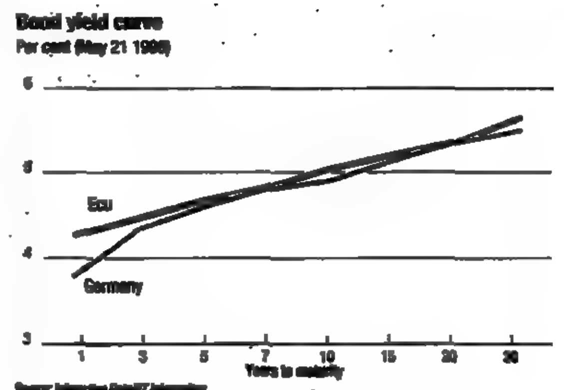
Source: FTSE International

EUROZONE CURRENCY CONVERGENCE

BONDS

Bond yield curve

Per cent (May 21 1998)



Source: Interactive Data/FT Information

EUROZONE CORPORATE BONDS

GOVERNMENT BOND SPREADS vs ECU

EUROZONE CREDIT SPREADS vs ECU

Gilts rise on signs of slowing economy

GOVERNMENT BONDS

By Jeremy Grant in London and John Labate in New York

Holidays in much of Europe yesterday damped activity in bond markets but UK gilts were lively, ending higher as softer-than-expected retail data again sparked speculation about where the UK stands in the interest rate cycle.

News that President Suharto of Indonesia had resigned barely scratched the surface of market calm as German and French markets were closed.

In London trading, the June 10-year bund future rallied on comments by Alan Greenspan, Federal Reserve chairman, that the Asian crisis was "only now just being felt" on the US economy. That points to steady US interest rates.

However volume was modest in all markets and traders said they would be looking to the release, late yesterday, of minutes from the US Federal open market committee's March meeting for firm direction.

US TREASURIES were mixed by early afternoon following morning testimony by Mr Greenspan and Treasury Secretary Robert Rubin.

The benchmark long bond had gained ¼ to 103$\frac{11}{32}$, yielding 5.885 per cent.

The two-year note was down $\frac{1}{32}$ to 100$\frac{1}{32}$, yielding 5.588 per cent, while the 10-year note rose to 100¼, yielding 5.608 per cent. "It's sluggish but firm," said William Gamba, manager of bond trading at Cowen & Co. The market was helped by a flight to quality due to dissatisfaction among political analysts surrounding Suharto's replacement, former vice-president Jusuf Habibie.

In one of the day's few economic releases, initial unemployment claims rose 8,000 to 313,000 for the second week in May.

UK GILTS bounded ahead on figures showing retail sales growth had slowed in April and by comments by the Bank of England monetary policy committee (MPC) member Willem Buiter – generally considered in favour of higher interest rates – that the British economy was slowing.

Retail sales in April rose 4.2 per cent against the same period a year ago, compared with a March year-on-year rise of 4.5 per cent. This was well below expectations.

Comments by Bank of England governor Eddie George and other MPC members pointing to an economic slowdown further boosted gilts. However analysts said that with weak retail figures coming on the heels of unexpectedly high inflation data earlier this week, many market participants were still divided over the pace of economic growth and thus where Britain stands in the interest rate cycle.

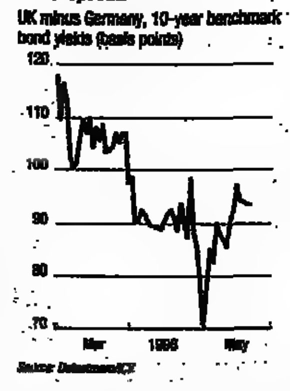
"I think you wouldn't expect anything else when the economy is at a turning point. I think the important numbers will be second-quarter GDP data, then people will really believe it's slowing," said David Hillier, chief UK economist at Barclays Capital. Those figures are due next month.

June 10-year futures settled up 0.29 at 108.38, with 108,000 contracts traded. Yields were down by about 8 basis points at the short end of the curve as investors discounted an interest rate rise.

In the cash market, gilts outperformed bunds with the 10-year spread narrowing from 104 to 102 basis points.

Yield spread

UK minus Germany, 10-year benchmark bond yields (basis points)



Source: Datastream/ICV

EMERGING MARKET DEBT RALLY REVERSES RECENT LOSSES

Suharto resignation gives boost to Bradys

By Vincent Boland

Brady bonds and other emerging market debt instruments posted strong gains yesterday after the resignation of Indonesia's President Suharto.

There were gains of up to half a point and more in early trading in London, although the rally fizzled out a little after the New York markets opened.

Mr Suharto's departure, announced early on Thursday in Jakarta, spurred a reversal of losses in emerging market bonds earlier in the week. Observers said a cut of 150 basis points in Brazilian interest rates, unveiled on Wednesday, also underpinned the renewed strength in Brady bonds, although there were doubts about how long the rally would be sustained.

The Brazilian cut brought the country's prime rate down from 23.25 to 21.75 per cent. In addition, proposals by Sergei Kiriyenko, Russia's new prime minister, to ease restrictions on foreign ownership of Russian companies, including the electricity utility UES, was a positive factor for the market yesterday, analysts said.

In London trading, Indonesia's global 2006 bond was one full point higher yesterday at 74, while Russian PRINs surged 1.25 points to 60.5. Brazilian and Argentine bonds posted gains of about half a point each. Prices eased later after technical resistance levels were met, although the market ended the day posting good gains.

Analysts cautioned, however, that developments in Indonesia were unlikely to drive the market much higher in the short term as investors waited to see what reform plans would be announced by B. J. Habibie, Mr Suharto's successor as president.

"Once the market gets a view of that, it may look like it has over-reacted to Suharto's stepping down," said Juliet Sampson, analyst at Bank of America in London. "The sell-off earlier in the week was overdone, but the outlook will continue to be choppy."

Hedge fund activity was reported to be relatively light in New York late yesterday, with investors reluctant to take big positions in the market while concerns continued about Asian economic developments and Indonesia's own efforts at economic and political reform.

CONVERGENCE CSFB STUDY FORECASTS NARROWING OF SPREADS

Switzerland set to lose interest-rate advantage

By William Hall in Zurich

Switzerland, which has one of the world's strongest currencies and the lowest interest rates of any country apart from Japan, will start to lose its low interest rate advantage following the launch of the euro.

Swiss bond yields, which have traditionally been about 200 basis points less than German rates, have already started to converge, and Credit Suisse First Boston forecasts that the gap will have narrowed to 170 basis points by summer 1999.

At one stage in the early 1980s the spread was more than 400 basis points.

CSFB, in a study of the effects of the euro, believes short-term Swiss rates will be kept "well below" European levels to offset any upward pressure on the Swiss franc arising from renewed political tension because of Europe's high unemployment level.

However, it believes the relative interest rate advantages of the Swiss capital market are more vulnerable.

It gives four reasons why Swiss long bond rates will increasingly converge with rates in the euro debt markets.

The Swiss National Bank is expected to shadow the European Central Bank policy and this could erode some of Switzerland's competitive edge in terms of its low inflation advantage. Increasing fiscal stability in the rest of Europe will also erode Switzerland's safe-haven status.

Over the past 15 years, the Swiss franc has appreciated by an average 0.5 per cent a year against the D-Mark. However, CSFB says the loss of some of Switzerland's traditional financial advantages will lower investor expectations of further Swiss franc appreciation, which will undermine a "key factor underpinning the Swiss interest rate premium".

The final reason for growing convergence is market expectations that Switzerland will presumably join Emu in the long run. CSFB argues that Swiss accession to the EU before 2003 is impossible for institutional reasons and is highly unlikely before 2006.

Nevertheless, the fact that the 11 euro countries will account for more than half of Switzerland's exports and 71 per cent of its imports means that the SNB will be under increasing pressure to shadow the policy of the ECB.

NEWS DIGEST

DERIVATIVES

Liffe set to publish reform proposals

After a delay of more than a fortnight, the board of the London International Financial Futures and Options Exchange will this weekend distribute a document containing much-awaited reform proposals to its 215 members.

The package, which includes plans to alter Liffe's complex shareholding structure and on the timing of the introduction of daytime electronic trading, had been held up by disagreements about the nature and extent of the reforms.

Although Liffe last month announced its intention to move to a "profit-based" organisation from its existing mutual-like structure, the board had yet to agree on how to simplify its membership and shareholding structure. It was also divided on whether to sever the link between membership and access to trading permits on its "open outcry" system. The link is expected to be broken for daytime electronic trading.

And Liffe's 24-member board (soon to be shrunk to 18) was also divided on the timing of the introduction of its daytime electronic platform. Some favoured persisting with the original plan to spend £20m developing a proprietorial system which would be introduced in the second half of 1999.

Others, however, wanted to purchase a screen-based trading system from another exchange, possibly Matif, Liffe's Paris-based counterpart. Privately, however, senior members admit that the latter option has almost certainly been dropped. "Matif's NSC-VF system is probably the best available but we do not want to develop close ties with such a direct competitor," said one. Members will vote on the proposals at an egm in early June. The document is expected to be made public next Wednesday. Edward Luce

EMERGING MARKETS

EMEA takes top slot

Latin America has ceased to be the largest emerging market region. It has been overtaken by the portmanteau category of Europe, the Middle East and Africa (EMEA) which now makes up 39 per cent of the IFC Composite index.

In March 1997, Asia was easily the most important emerging market region, comprising 43 per cent of the index; the EMEA sector was then worth just 22 per cent and Latin America 35 per cent. But a combination of the Asian crisis, and a strong performance by EMEA countries has turned things on their head; Asia now makes up just 24 per cent of the index. Latin America contributes the other 37 per cent.

Laurence Heyworth of Flemings Research points out that two of the best performing EMEA markets have been European convergence plays, notably Portugal and Greece. "Looking forward, the euro convergence story, as it extends into eastern Europe is very potent. Poland, Hungary and the Czech republic, each of which could join the EC as early as 2001, could be the next Portugals," he says. The EMEA region also includes smaller markets such as Ghana, up 165 per cent over the past year, and Botswana, up 94 per cent. Philip Coggan, Markets Editor

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

May 21	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	04/00	7.000	103.6812	4.93	-0.06	-0.07	-0.06	-1.37
	10/07	10.000	131.9498	5.84	-0.04	-0.08	-0.14	-2.12
Austria	09/99	7.000	103.5800	4.13	-0.02	+0.03	-0.01	+0.27
	07/07	5.625	104.2800	5.03	+0.02	-0.03	+0.06	-0.72
[illegible]								

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	103.86	103.65	-	103.86	103.65	134,675	87,101
Sep	103.16	103.17	-	103.16	103.16	1,732	10,869

[illegible]

10 YEAR BENCHMARK SPREADS

[illegible]

EMERGING MARKET BONDS

[illegible]

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	-	103.60	-	-	-	40	4,992

US CORPORATE BONDS

[illegible]

US INTEREST RATES

[illegible]

INTERNATIONAL BONDS

May 21	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
EIB	02/07	5.750	AAA	105.4000	4.97	-0.02	-0.01	+0.04
Spain	01/07	5.750	AA	104.9300	5.02	-0.02	-0.02	+0.09
Philip Morris	03/04	5.375	A	101.4800	5.07	-0.03	-	+0.37
[illegible]								

UK BONDS

FTSE Actuaries Govt. Securities

[illegible]

UK Indices

[illegible]

FT Fixed Interest Indices

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

Pound slides on weak retail sales

MARKETS REPORT

By Daniel Dombey

Surprisingly weak UK retail sales figures and further indications that the Bank of England might be turning against interest rate rises yesterday pushed sterling to its lowest level against the German currency for the year so far.

The D-Mark also reached a five-year high against the yen, as the markets digested the resignation of Indonesia's President Suharto. The dollar weakened against the Japanese currency before edging back.

Eddie George, governor of the Bank of England, described the retail figures, which showed an increase of only 0.1 per cent for the month of April, as "very weak". Market expectations had run as high as a 0.4 per cent increase. The pound ended trading hours in London at DM2.869, nudged down 2 pfennigs by the belief that the series of rate rises might be at an end. Interest rate future contracts also rose strongly.

But Philip Shaw, chief economist at Investec in London, said: "Although the apparent weakening in the UK economy has brought the currency down over the last month and a half, its differentials with interest rates in Euroland mean it is hard to see the pound collapsing." Mr Shaw forecasts that sterling will end the year at DM2.75.

Separately, Willem Buiter, one of the members of the Bank's monetary policy committee who has most consistently favoured a rate increase, said the economy was "clearly slowing down".

Mr Buiter told the Treasury select committee yesterday that interest rate differentials and expectations had accounted for about half of sterling's appreciation since August 1996.

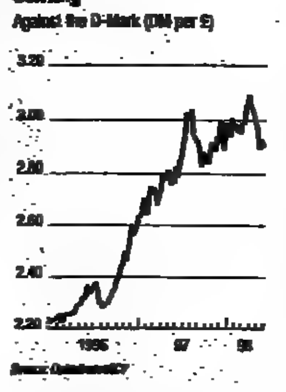
The market shrugged off a denial by Gordon Brown, the Chancellor, that the UK was planning to join the European Exchange Rate Mechanism. If the country did become an ERM member, it is widely supposed it would do so at lower than sterling's current trading rate.

■ The dollar was hurt against the D-Mark, falling 2 pfennigs to DM1.758 as the implications of April's record $13bn US trade deficit sank in. The deficit with the European Union for the first three months of the year was $1.7bn, three times its level a year before.

The D-Mark also rose against the yen, closing at Y77.07 in Europe, marginally stronger than the day before.

Sterling

Against the D-Mark (DM per £)



Source: Datastream/ICV

■ Trading volumes were low throughout the day – because of public holidays this week and next – increasing volatility and strengthening the view that some levels could soon be reversed. Much of continental Europe celebrated the Ascension Day break.

"When people reflect in more normal market conditions, many of today's changes will appear opportunistic," said Paul Chertkow, head of global currency research, at the Bank of Tokyo-Mitsubishi in London. "These are all excuses to take profits on positions which were appearing to get stale. The domestic sector in France and Germany is still depressed. There is next to no inflation there."

Mr Chertkow argued that the UK's April retail figures had to be set against the context of a 4.2 per cent rise year on year.

■ There were contradictory responses to the confusion in Indonesia.

After shedding some early gains, the yen, which is affected by Japan's strong relations with the region, still closed slightly up, at Y135.5 to the dollar.

Although Mr Suharto's departure was initially greeted with relief after months in which the country appeared to be stumbling into chaos, Jusus Habibie, his hand-picked successor is even less liked by the financial markets.

Mr Habibie has said he will respect the agreements with the International Monetary Fund, but negotiations over the country's debt remain difficult.

"In Indonesia there will be just as much uncertainty next week as there was last week," said Mr Chertkow. "The statement by Suharto is bound to cause friction. The basis of the IMF stabilisation programme is now in some doubt because all the economic assumptions have been blown away by the currency's fall."

■ POUND IN NEW YORK

May 21	--Latest--	-- Prev. close --
£ spot	1.6325	1.6330
1 mth	1.6300	1.6305
3 mth	1.6249	1.6257
1 yr	1.6089	1.6092

■ OTHER CURRENCIES

May 21	£	$
Czech Rp	52.3431 - 52.4193	32.0730 - 32.1000
Hungary	342.140 - 342.440	209.650 - 209.700
Iran	[illegible]	[illegible]
Kuwait	0.4971 - 0.4997	0.3050 - 0.3060
Peru	4.6357 - 4.6418	2.8405 - 2.8425
Poland	5.5978 - 5.6077	3.4300 - 3.4340
Russia	[illegible]	[illegible]
U.A.E.	5.9940 - 5.9982	3.6728 - 3.6731

WORLD INTEREST RATES

MONEY RATES

May 21	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.75	–
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.60	–	3.30
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
Ireland	[illegible]	[illegible]	[illegible]	6	[illegible]	–	–	6.75
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.50	5.00	5.57
Netherlands	3	[illegible]	[illegible]	[illegible]	[illegible]	–	2.75	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	1.00	–
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	5.00	–
Japan	[illegible]	[illegible]	2	[illegible]	[illegible]	–	0.50	–
■ $ LIBOR BBA London								
Interbank Fixing	–	[illegible]	[illegible]	[illegible]	[illegible]	–	–	–
US Dollar CDs	–	5.44	5.48	5.52	5.62	–	–	–
ECU Linked Ds	–	[illegible]	[illegible]	[illegible]	[illegible]	–	–	–
SDR Linked Ds	–	[illegible]	[illegible]	[illegible]	[illegible]	–	–	–

London interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am. Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

May 21 — Short term, 7 days notice, One month, Three months, Six months, One year: Belgian Franc, Danish Krone, German Mark, Dutch Guilder, French Franc, Portuguese Esc, Spanish Peseta, Sterling, Swiss Franc, Canadian Dollar, US Dollar, Italian Lira, Japanese Yen, Asian $Sing — [illegible]

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate — [illegible]

■ THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100% — [illegible]

■ ONE MONTH EUROMARK FUTURES (LIFFE) DM3m points of 100% — [illegible]

■ THREE MONTH EUROLIRA FUTURES (LIFFE) L1000m points of 100% — [illegible]

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100% — [illegible]

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100% — [illegible]

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100% — [illegible]

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
95125	0.110			0.085		
95250	0.050	0.510	0.720	0.150	0.020	0.020
95375	0.025			0.250		

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

POUND SPOT FORWARD AGAINST THE POUND

May 21 — Closing mid-point, Change on day, Bid/offer spread, Day's Mid high/low, One month Rate %PA, Three months Rate %PA, One year Rate %PA, Bank of Eng. index — [illegible]

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

May 21 — Closing mid-point, Change on day, Bid/offer spread, Day's mid high/low, One month Rate %PA, Three months Rate %PA, One year Rate %PA, J.P. Morgan index — [illegible]

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

May 21 — [illegible]

■ D-MARK FUTURES (IMM) DM 125,000 per DM — [illegible]

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100 — [illegible]

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr — [illegible]

■ STERLING FUTURES (IMM) £62,500 per £ — [illegible]

UK INTEREST RATES

LONDON MONEY RATES

May 21 — Over night, 7 days notice, One month, Three months, Six months, One year — [illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100% — [illegible]

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100% — [illegible]

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound) — [illegible]

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 (cents per DM) — [illegible]

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100% — [illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100% — [illegible]

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100% — [illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100% — [illegible]

BASE LENDING RATES

[illegible]

The FT GUIDE TO WORLD CURRENCIES, published in Monday's newspaper and covering over 200 currencies, is now available by dialing the following number from the handset of your fax machine, 0891 437 001. Calls are charged at 50p/min at all times. For more information or assistance please phone 0171-873 4378. (Cityline help desk)

El Niño keeps grain farmers guessing

Despite planting running well ahead of the normal schedule, an unusual degree of nervousness surrounds the US grain harvest, writes Nikki Tait

A sultry haze hangs over Des Moines, Iowa, in the heart of the US grain belt. Local farmers, however, are not complaining: after a burst of wet weather early in the current growing season, planting is back on track, and generally running well ahead of the normal schedule.

But an unusual degree of nervousness still surrounds the 1998 grain harvest, largely because the tail-end of the El Niño weather pattern is still making its mark.

The recent burst of hot weather – while not detrimental at this stage – has raised the possibility that a prolonged period of parching heat could re-emerge later in the growing season, when damage might result.

"When you see temperatures of 100 degrees at this stage, it gets our attention," says Dan Basse, economist with the AgResources company in Chicago.

Drought conditions, he points out, have already gripped Mexico. While North America – and the grain belt, in particular – is far less susceptible to the weather phenomenon's harsher effects, this does raise the possibility that a long, hot summer could be in sight. "We're fearful it will come northwards," he says.

Donald Wilhite, director of the National Drought Mitigation Center at the University of Nebraska, shares in the uncertainty. He says that conditions look fairly favourable at present, pointing out that late snowfalls in the Rockies have helped alleviate earlier worries of an abnormally small snowpack accumulation there.

But El Niño is still a joker in the pack: "There is not a huge amount of concern right now – but there's always cause for some worry going into the summer season, and we're not quite sure what's happening with El Niño, whether it's going to linger," he says.

Mr Wilhite, however, is inclined to think that the real test for grain farmers will come in the next growing season, rather than the current one. Already some meteorologists are wondering whether El Niño will be quickly replaced by a "La Niña" effect. That would occur if the oceans off South America that caused El Niño cool down rather than heat up.

"Opinion seems to be swinging that way, that we're going into a La Niña. That generally results in drier conditions in the south-west and south-east ... and might send up some warnings about next year, more than this [year]."

Nevertheless, assuming weather conditions do remain clement – a big "if" at this stage – official forecasts point to an extremely healthy US grain harvest.

Using current planting trends, the US Department of Agriculture is forecasting another record soyabean crop, of about 2.8bn bushels, about 3 per cent higher than in 1997-98. Maize production is projected to be 9.64bn bushels, second only to the 1994-95 harvest, when corn production narrowly topped 10bn bushels.

The big exception is wheat, once the mainstay of the prairies. Here, a smaller crop will almost certainly be seen this year, about 2.36bn bushels according to USDA, down by about 7 per cent from the 1997-98 levels.

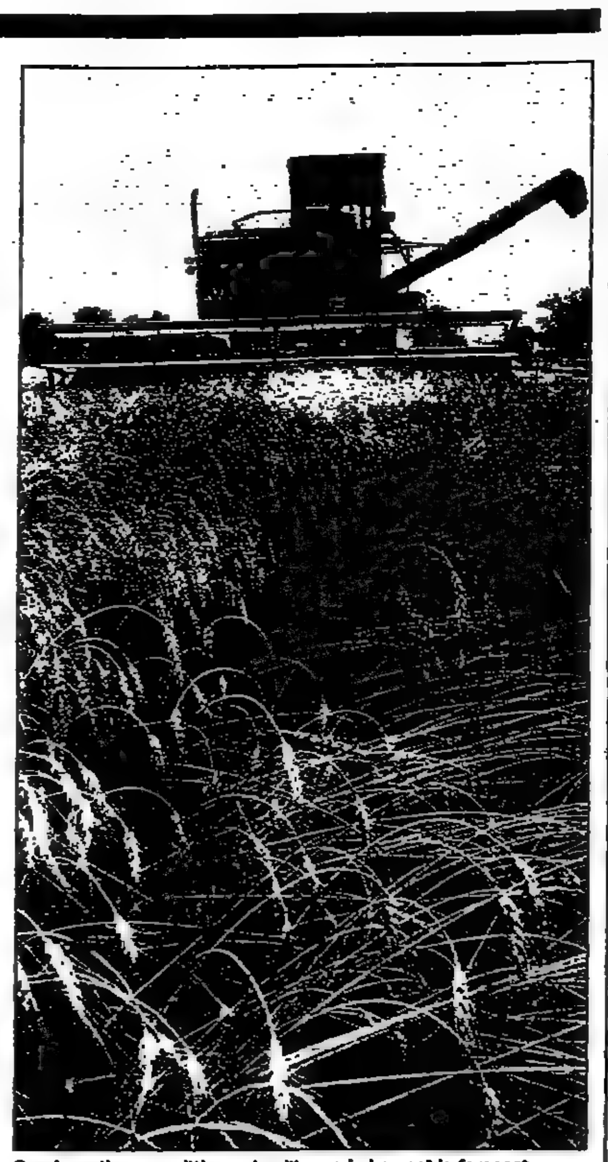
The problem for US farmers is that lower wheat prices, driven by world supply and demand, are making the grain an increasingly unattractive proposition economically, and acreage is switching to anything from soyabeans to canola.

Moreover, in an increasingly deregulated US farm sector, there is less incentive to stay with certain crops for subsidy reasons. Analysts say that the US wheat seedings this year will be at their lowest level for a decade.

But the prospect of a strong US harvest, coupled with international supply factors, has sent prices sinking in recent weeks. Corn and wheat prices are both at three-year lows – at about \$2.50 and \$3.00 a bushel respectively – and less than half the levels realised in mid-1996, when grain prices suddenly spiked upwards.

This is hardly Midwest farmers' fault: a rising European Union wheat crop and maintained production in Australia are forecast to offset lower output from Argentina and Canada, according to the USDA. Meanwhile, the good prospective US corn and soyabean crops, coupled with international stock levels, will probably keep prices in check there, too.

US corn producers face competition from Argentina and China, while large South American soyabean crops will probably add pressure on the soyabean front. As Mr Basse puts it: "It's the global situation."



Good weather permitting, a healthy grain harvest is forecast

Oil shrugs off talk of Russia joining Opec

MARKETS REPORT

By Gary Mead and Kenneth Gooding

News that Russia this week discussed the possibility of joining the Organisation of Petroleum Exporting Countries left the crude oil markets unmoved yesterday, as did Iraq's rejection of a US proposal to have the current oil-for-food UN-brokered programme renewed automatically, rather than have it renegotiated every six months, as is now the case.

Sergei Slesarev, a senior official in the Russian ministry of fuel and energy, told Reuters that at a meeting in Moscow between Russian officials and Rilwanu Lukman – Opec's general secretary – the subject was raised, though Mr Slesarev gave no details.

Russia has already said it will attend the next scheduled Opec meeting, in Vienna, on June 24; the last time it attended such a meeting as an observer was in Oman in 1993.

The possibility of Russian membership was dismissed by some oil analysts, but it was equally seen as an indication of the degree of Russian concern over low oil prices. Yesterday on the International Petroleum Exchange Brent crude for July delivery struggled to reach \$13.53, up 11 cents a barrel but still below the crucial \$14 mark.

The return to relative calm in Indonesia helped push robusta coffee futures lower on the London International Financial Futures Exchange, where the July contract closed \$48 down, at \$1,872 a tonne. Traders now expect little or no immediate disruption in transportation of the imminent coffee harvest, due to start in three to four weeks, but remained sceptical about the medium-term prospects for the new regime.

Elsewhere on Liffe, cocoa futures nudged slightly higher, the July contract ending the day at £1,136 a tonne, £3 higher, amid very low volumes – just 2,181 lots – due largely to the Ascension Day public holiday in continental Europe.

There was a warning yesterday that lead might not be readily available in the third quarter of this year because supplies were tight. Neil Hawkes of the CRU International consultancy said: "Primary producers will struggle and fail to meet all the demand for batteries and in that one or two-month window there is the potential for a price spike."

London Metal Exchange stocks are low, at 107,325 tonnes, and some of that lead is not available to the market because it is tied up by financing deals.

Mr Hawkes pointed out, however, that stocks at battery producers – the main lead consumers – were high. "How much will battery stocks have to fall before you see a pick up in lead demand?" he asked.

Lead for delivery in three months on the LME closed at \$563 a tonne, up \$5.50 or 1 per cent from Wednesday's close. Other LME metal prices also increased yesterday and traders suggested this was caused by book squaring ahead of the long weekend holiday in the UK and the US. The LME will be closed for a UK public holiday on Monday.

"Tidying of positions pushed up prices and volumes have been nothing extraordinary because Europe is on holiday [for Ascension day]," said Robin Bhar, analyst at Brandeis (Brokers), the Pechiney subsidiary.

Coffee crops threatened

Mexican and Central American coffee crops already suffering from a severe six-month drought are now further affected by smoke from ravaging fires and volcano eruptions, industry officials said yesterday, Reuters reports from Mexico City.

Coffee organisations and officials across the region, which accounts for more than 15 per cent of the world's output, said they were increasingly concerned about prospects for the upcoming 1998-99 crop, expected to be the lowest in decades.

"We have a lot of smoke here, it's very hot, but it won't change anything here right now," said one coffee producer from Mexico's key growing region in the southern state of Chiapas.

But he said the industry was concerned that forest and bush fires – which have ravaged the region but have been particularly bad in Mexico – would spread to coffee-growing areas in Chiapas' northern mountain areas around Tuxtla.

However, all Central American and Mexican coffee officials agreed the ongoing drought was by far the biggest threat to the region's 1998-99 crop.

Last week Central American coffee organisations cut their forecast for the crop to 9.4m 60kg bags, down 12.6 per cent from the 1997-98 crop of 10.75m 60kg bags, which is down 6.5 per cent from the 1996-97 crop of some 11.5m bags.

Metals forecasts diverge

By Kenneth Gooding, Mining Correspondent

There is almost unprecedented disagreement among analysts about the trend in metals prices, reflecting how difficult it is to gauge potential global economic activity.

This lack of consensus among metals market observers is highlighted in a review of recent forecasts by the economic research team at Outokumpu, the Finnish group.

This shows, for example, that forecasts of the average 1998 copper price range from \$1,609 a tonne to \$2,094, while those for the 1999 average show an even bigger disparity, between \$1,433 and \$2,424.

Uday Patel, a member of the team, said that six months ago most analysts were looking for a substantial copper supply surplus this year, but now it was clear the surplus would be much more modest.

Zinc and nickel markets were also very difficult to analyse, he said. "It would not take much of a fall in Russian nickel exports to completely change [depressed] sentiment in the nickel market. Or, if China exports a little less zinc, the market would be in balance or there would be a small supply deficit."

Forecasts for the average zinc price this year range between \$1,080 a tonne and \$1,432, and \$1,080 to \$1,844 for 1999. The equivalent ranges for nickel are \$5,069-\$8,155 and \$4,959-\$7,714.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY (\$ per tonne)

	Cash	3 mths
Close	1369-0	1393-4
[illegible]	[illegible]	[illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; \$/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
May	307.0	+7.6		309.0	–	–
Jun	301.1	+1.2	301.6	299.5	29,816	46,605
Aug	303.7	+1.4	304.2	302.3	8,831	24,021
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENERGY

PRECIOUS METALS

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	74.00	+0.25	74.25	74.00	42	64
Jul	75.25	+0.60	75.50	75.20	62	1,260
Sep	76.50	+0.65	76.50	76.25	20	165
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PULP AND PAPER

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	1112	-5	1119	1119	2	108
Jul	1136	+3	1143	1136	[illegible]	[illegible]
Sep	1156	+3	[illegible]	1157	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDICES

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	65.150	+0.025	65.360	64.875	5,692	33,465
Aug	66.800	+0.025	67.050	66.500	3,358	25,094
Oct	67.200	-0.275	67.550	67.025	1,748	18,239
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

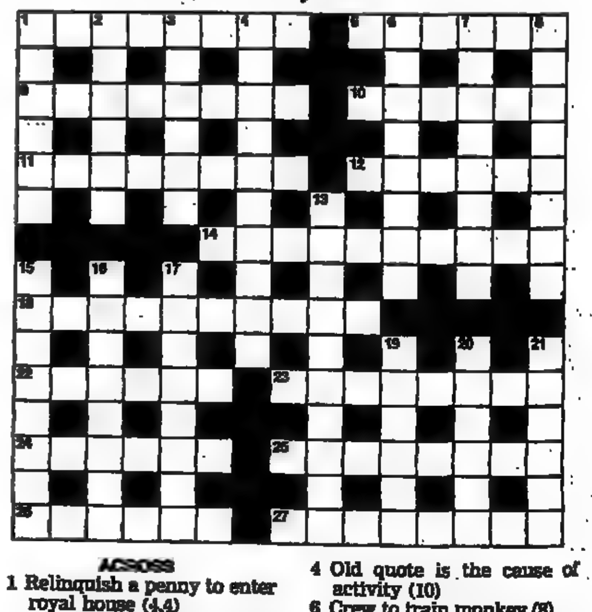
LONDON TRADED OPTIONS

LONDON SPOT MARKETS

JOTTER PAD

CROSSWORD

No.9,688 Set by ARMONIE



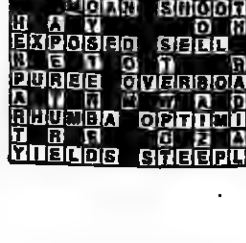
ACROSS

1 Relinquish a penny to enter royal house (4,4)
5 A doctor clinging to practice is diverted (6)
9 Cardinal facing watercourse in the Midlands (8)
10 A piece of one's mind risks offending the primate (6)
11 A treetop rustling is musical (8)
12 Cruel graduate and student contain sexual excitement (6)
14 Stumble in feeble illumination (5,5)
18 Hit and run, done wickedly, is seen from all sides (2,3,5)
22 Large coin containing uranium is shining (6)
23 Star in danger, following collapse of seat (8)
24 It's a certainty to have relatives resting on one's knee (6)
25 Eccentric US parent eating a hairy-leafed plant (8)
26 Tell tales to a woman more readily (6)
27 Arms becoming tired carrying piano leg (8)

DOWN

1 Hospital appears on indicator in London (6)
2 One pushing Reggie Brown uphill (6)
3 He is to survive in Oregon (6)
4 Old quote is the cause of activity (10)
6 Crew to train monkey (8)
7 Plan to get up and wander round (8)
8 Fail to get up in time – becoming forlorn (8)
13 Saints keep animals separated, for the best part (5,5)
15 Worker protects bad retailer (8)
16 Strain to sink vessel (8)
17 Enema gets Tim upset for the present (8)
19 Son eventually to appear in parody (4-2)
20 Marina's wild to be a pilot (6)
21 Meagre novel accepted by agent (6)

Solution 9,687



FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

Fidelity Germany Funds Ltd

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (FSA RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (FSA RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (FSA RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (FSA RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (FSA RECOGNISED)

[illegible]

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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Royal & Sun Alliance Intl Financial Services

Atlantis Fund Management (Guernsey) Ltd

Atlas Management Limited

Atlas Real Estate Hedge Fund Limited

Aurum Funds

BEA Associates

BNP

Julius Baer Bank & Trust Co Ltd

Bahia Fund

Banca Reig. S.A. (Principality of Andorra)

Banco do Brasil–BB Fund

Banc Internacional D'Andorra Banca Mora

Royal Scandia Life Assurance Ltd

OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING MATS. & MERCHANTS

CHEMICALS

CONSTRUCTION

CONSTRUCTION - Continued

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Continued

ENGINEERING, VEHICLES

ENGINEERING, VEHICLES - Continued

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Continued

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS & TEXT

INSURANCE

INSURANCE - Continued

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Continued

INV TRUSTS SPLIT CAPITAL

هدية من الأهل

هكذا من الاصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Continued

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Continued

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PHARMACEUTICALS - Continued

PROPERTY

PROPERTY - Continued

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Continued

SUPPORT SERVICES

SUPPORT SERVICES - Continued

TELECOMMUNICATIONS

TOBACCO

TRANSPORT

TRANSPORT - Continued

WATER

AIM

AIM - Continued

AMERICANS

CANADIANS

SOUTH AFRICANS

TRADED INDEX SECURITIES

GUIDE TO LONDON SHARE SERVICE

FT Free Annual Reports Club

FT Company Focus / Focus Plus

FT Cityline

Footsie fades after falling short of 6,000 level

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

UK stocks enjoyed another session of widespread gains yesterday, taking the FTSE 100 at its best to within 9 points of the 6,000 level and the two junior indices – the FTSE 250 and SmallCap – to intra-day and closing highs.

The performances of all the main indices was a celebration of Wall Street's three-figure surge overnight, itself a continued response to the Federal Reserve's decision to leave US rates on hold, plus relief at events in Asian markets.

Hong Kong, Singapore and Singapore all delivered good gains after Indonesia's President Suharto bowed to international pressure and resigned.

The day's economic data presented a mixed picture for the market. UK high street retail sales in April rose by the slightest of figures, up 0.1 per cent, well below the consensus forecast of plus 0.5 per cent, and were well received.

But there was concern that M4 money supply data showed the measure expanding at an annualised 10.3 per cent in April, compared with a consensus forecast of 10.1 per cent.

Remarks suggesting that UK economic growth is slowing, made by a member of the Bank of England's monetary policy committee, Willem Buiter, were seen as positive especially as Mr Buiter had previously been seen as one of the more "hawkish" members of the committee.

With Mr Buiter shifting his stance, the chances of a rise in UK interest rates after the next monetary policy committee meeting, scheduled for June 3 – with the committee's decision on rates due to be announced at midday the following day – are viewed as much reduced.

Further reference to a slowing in UK economic performance came from Eddie George, governor of the Bank of England, although he also pointed to the worryingly high increase in average earnings announced last week.

But the FTSE 100 finished the day well off its best, affected by a dip in the Dow Jones Industrial Average, which came off its best in mid-afternoon.

The FTSE 100 closed 28.2 ahead at 5,935.6, having raced up to a session high of 5,991.1, up 83.7, not long after trading started.

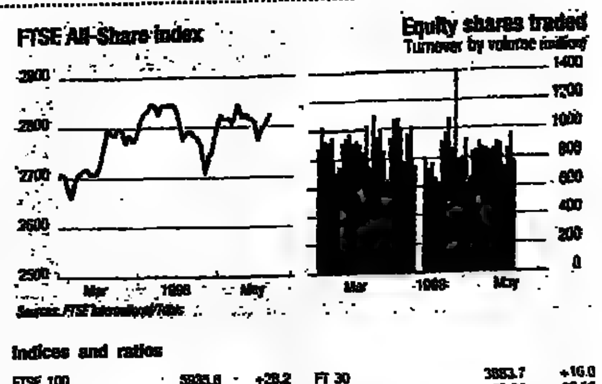
The other FTSE indices made rapid progress, the FTSE 250 finishing at a record high of 5,854.5, up 29.0, after touching a peak of 5,861.7 in mid-afternoon.

The FTSE SmallCap, meanwhile, continued its seemingly relentless advance to fresh highs, closing 8.0 up at a record close of 2,782.3 after an intra-day high of 2,782.6.

Again, there were rumblings of discontent about the relatively low levels of activity in equities, although this was partly put down to the closure of most European markets because of the Ascension day holiday. Turnover at 6pm was 778.5m shares, with non-FTSE 100 shares accounting for 61 per cent of the total.

One of the day's big features was the scintillating debut of Computacenter, whose shares moved to a substantial premium to the offer price.

Takeover rumours resurfaced, especially in food retailing where Safeway returned to the limelight.



Indices and ratios

FTSE 100	5935.6	+28.2	FT 30	3883.7	+16.0
FTSE 250	5854.5	+29.0	FTSE Non-Fins p/e	23.70	23.56
FTSE 350	2885.6	+13.8	FTSE 100 Fut Jun	5979.0	+54.0
FTSE All-Share	2821.98	+13.19	10 yr Gilt yield	5.86	5.80
FTSE All-Share yield	2.78	2.79	Long gilt/equity yld ratio	[illegible]	2.13

Best performing sectors

1 Engineering: Vehicles +1.8
2 Insurance +1.7
3 Household Goods & Texts +1.5
4 Retailers: Food +1.3
5 Gas Distribution +1.3

Worst performing sectors

1 Alcoholic Beverages −2.3
2 Tobacco −1.2
3 Electricity −0.9
4 Diversified Industrials −0.4
5 Electronic & Elect Equip −0.3

Mirror shines on bid talk

COMPANIES REPORT

By Peter John and Martin Brice

Mirror Group was enlivened by speculation about a bid for the news group by Axel Springer, the German publisher.

Analysts said that the rumours, which had come from Europe rather than the UK, were being denied but nevertheless had the ring of truth to them.

Brokers were talking of a 250p-a-share bid for a company that had almost guaranteed cash flow of £150m a year but little strategy or direction.

They said Springer had previously expressed interest in the UK, and Mirror would be an obvious target.

Lorna Tilbian, of Panmure Gordon, said: "We would not rule it out. Mirror has underperformed dramatically and Springer is a pretty seasoned player in Germany."

Mirror shares moved forward 4½ to 211½p. And while the gain was only 2 per cent, it was backed by unusually heavy turnover of 8.6m shares.

A broker downgrade on the back of Asian worries saw Standard Chartered lose 12 to 787p.

Dresdner Kleinwort Benson reduced its 1998 profits forecast for Standard by 14 per cent to £782m and its forecast for the following year by 9 per cent. The broker warned there might be more downgrades in both Standard and HSBC. It has recommended a "sell" on Standard, but retained its "add" stance on HSBC. Kleinwort has Standard Chartered on a fair value of 480p a share and HSBC on £15.00. HSBC rose 32 to £16.81.

Supermarkets were actively traded after a ruffle of takeover speculation and some broker support. Talk that Safeway faces a a joint bid from J. Sainsbury and Asda was denied. But the shares added 10¼ at 380¼p while Asda dipped 1¼ to 184¼p and Sainsbury 1½ to 500¼p. In addition, CSFB moved from "hold" to "sell" on Sainsbury.

Investors were switching into Tesco, which gained 15½ to 546p on turnover of 9.8m shares.

SmithKline Beecham was weak in early trading after news of a patent lawsuit affected the stock. However, the shares recovered to end 9 higher at 683p.

The pharmaceuticals company plans to file a suit against TorPharm, a Canadian firm affiliated to Apotex Corp, charging it with infringing a patent in the US. SmithKline is objecting to TorPharm's application to introduce a generic form of its anti-depressant medicine Paxil.

Paxil's global sales in 1997 were £899m and accounted for 20 per cent of pharmaceuticals sales last year. Goldman Sachs believes: "This news could affect sentiment significantly." At worst, it says, earnings per share could fall by 15 per cent. The broker has stressed its neutral stance on the shares. However analysts said the prospect of a full-blown conflict unlikely.

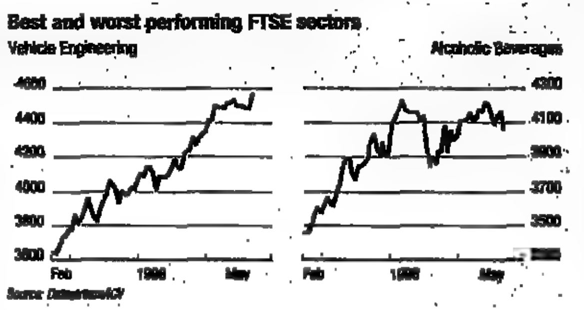
Oil exploration and production stocks were boosted by discovery news but still weighed down by an underlying oil price which, at the start of UK trading, was below $14 a barrel.

Lasmo celebrated a new oil find in Algeria's Berkine Basin and the shares gained 6½ to 290p.

Investor appetite for information technology stocks was highlighted by the large premium gained by Computacenter. The supplier of computers and related services came to the market at 670p and quickly moved to a substantial premium, with the highest price paid for a block of shares said to be 880p.

At the placing price, Computacenter stood at about 32 times forecast earnings. However, although the stock is a member of the information technology sub-sector, some analysts were cautious on its growth prospects.

About 70 per cent of its revenues come from the sale of hardware and Hewlett-Packard recently highlighted the slowing of that market with its profits warning. The shares closed at 766p.



Compel benefits

A beneficiary of the Computacenter float has been fellow hardware and services supplier Compel, which has seen heavy volumes of its shares traded recently, as institutional investors that are underweight IT stocks have chased the shares.

Merrill Lynch's smaller companies team has set a price target of 550p on the shares, which yesterday rose 6½ to 494½p.

Another newcomer, IT services company ICM Computer Group, came at 180p yesterday and rose to 260½p, giving it a market value of about £50m. Misys had an inauspicious first day as a member of Footsie. It was the worst FTSE 100 performer, falling 153 to £34.17.

On the results front, computer maintenance and consultancy services company Electronic Data Processing was up 18 at 89½p after it announced a 50 per cent interim profit rise to £1.2m.

The profits warning from Prestwick Holdings continued to take its toll in the electronics sector. Prestwick, which issued its warning two minutes after the market closed on Wednesday, was sharply down in early trading.

It recovered some of this ground to close off 2 at 35p, helped by the news that TT Group had increased its holding by 5.3m shares, taking its stake to 23 per cent. TT Group was up 6 at 381½p.

Cookson suffered from Prestwick's warning, which said: "We believe the entire sector is suffering from severe market conditions." Shares in Cookson, which derives half its sales and 40 per cent of its profits from electronics, were off 10½ at 238p.

Geoff Allum at Henderson Crosthwaite said: "Although Cookson is maintaining that its electronics business is trading in line with expectations, recent profits warnings from Prestwick and Fairey sound a note of caution on the immediate prospects for the electronics industry."

Tomkins saw brisk trade of some 4.7m as traders said analysts were starting to tweak their forecast upwards as a result of meetings with the company. The shares rose 2½ to 361p. The company has just passed its year end, and analysts have heard encouraging news on trading.

Sun Life & Provincial added 11 at 581p after the insurer gave an upbeat presentation to analysts.

More Group, the advertiser, lifted 13½ to £11.30 after a contested bid from Clear Channel topped the existing bid from Decaux.

FT 30 INDEX

	May 21	May 20	May 19	May 18	May 15	Yr ago	*High	*Low
FT 30	[illegible]	3867.7	[illegible]	3831.4	[illegible]	2997.6	[illegible]	3861.9
Ord. div. yield	[illegible]	2.88	2.88	2.88	2.80	3.67	4.22	2.79
P/E ratio net	[illegible]	24.04	23.94	23.80	25.31	18.10	[illegible]	15.80
P/E ratio nil	23.84	23.83	23.72	23.68	25.06	17.92	26.19	15.71

FT 30 since compilation: high 3920.3 11/05/98; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9	10	11	12	13	14	15	16	High	Low
3867.7	3901.6	3910.8	3910.4	3905.4	3904.5	3908.3	3894.3	3903.0	3922.9	3861.9

STOCK MARKET TRADING DATA

	May 21	May 20	May 19	May 18	May 15	Yr ago
SEAQ bargains	82,886	83,559	81,236	88,098	58,732	45,222
Equity turnover (£m)†	-	3054.6	4250.6	2964.4	2846.7	[illegible]
Equity bargains†	-	62,946	52,692	52,315	49,575	43,540
Shares traded (mil)†	-	748.9	781.6	835.4	748.9	589.0
Total market bargains‡	-	66,267	83,826	67,080	60,774	-
Total turnover (£m)‡	-	4268.6	[illegible]	4148.6	[illegible]	-
Total shrs traded (mil)‡	778.5*	994.8	1027.0	1083.7	963.0	-
Tradepoint turnover (£m)	24.2	32.8	29.2	27.9	18.2	3.4
Tradepoint shrs traded	6,018	7,421	8,812	7,779	6,189	586

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	1,116	Total Highs	358	Total contracts	21,880
Total Falls	474	Total Lows	30	Calls	14,802
Same	1,418			Puts	7,078

May 21 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	5970.0	5979.0	+54.0	6024.0	5951.0	[illegible]	157962
Sep	6077.5	6056.5	[illegible]	6077.5	6077.5	750	11343
Dec		6142.0	+58.0			0	250

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	5855.0	5876.0	+31.0	5900.0	5865.0	212	6322

FTSE 100 INDEX OPTION (LIFFE) (*5961) £10 per full index point

	5800 C	5800 P	5850 C	5850 P	5900 C	5900 P	5950 C	5950 P	6000 C	6000 P	6050 C	6050 P	6100 C	6100 P	6150 C	6150 P
Jun	206½	70½	219	81	185½	108	155	128	128½	148½	100½	175½	78½	204½	[illegible]	237½
Jul	330½	125½	298½	141½	267	161½	237½	182½	208	203½	180	227	154½	256	133	285
Aug	403½	138	373½	207	344	226	214	245½	284½	265½	254½	287½	232½	315	211	343½
Sep	462	216	432½	236½	403	257	373½	277½	343½	298	313½	319	287½	344	264½	370½
Dec†	638½	237½			[illegible]	335			495	374			438½	417		

Calls 435 Puts 486

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	5825 C	5825 P	5875 C	5875 P	5925 C	5925 P	5975 C	5975 P	6025 C	6025 P	6075 C	6075 P	6125 C	6125 P	6175 C	6175 P
Jun	206½	83½	200½	97½	168½	115	138½	135½	113½	159	90½	188	71	218	54	249
Jul	316	134	283	150½	251½	168½	222	186	194	210	168½	234	145	259½	123½	288
Aug	385½	185	[illegible]	204½	321½	222½	282	242	284	263	237½	285½	212½	309½	189	335
Sep	449	217			380½	252			323	282½			268½	335½	[illegible]	395½
Dec†	[illegible]	285½			528½	320			476½	358½			415	398½		

Calls 2,416 Puts 2,455 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1998 High	1998 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	27.3	103½	93½	AB Airlines	102½	+6	-	-	-	-
§90	F.P.	17.7	102½	92½	†Ambient Media	92½		-	-	-	-
•	F.P.	14.7	325	[illegible]	†[illegible]	[illegible]		-	-	-	-
§	F.P.	-	108	97½	Aberdeen Convertible C	106½	+½	-	-	-	-
-	F.P.	-	92	89	Ascot B	91		-	-	-	-
-	F.P.	221.9	40	38	[illegible]	38		4.75	-	15.6	-
-	F.P.	21.9	98	97½	[illegible] VCT 2	97½		-	-	-	-
4	F.P.	1.11	5½	5	†Capital O.M. Wnts.	5½		-	-	-	-
-	F.P.	6.06	1½	1	†Do Warrants	1½		-	-	-	-
-	F.P.	6.06	100	100	Close Bros AIM VCT	100		-	-	-	-
-	F.P.	[illegible]	432½	125½	†Dana Petroleum	414	+108	-	-	-	-
§30	F.P.	18.0	30½	30½	†Dimension Res	27	+1	-	-	-	-
-	F.P.	-	9½	3½	†Do Warrants	9½		-	-	-	-
*	F.P.	14.3	95	95	Elderstreet Dm VCT	95		-	-	-	-
§220	F.P.	143.6	228½	222½	Eskmuir Props	228½	+3½	-	2.1	-	18.8
-	F.P.	18.5	20	18½	ERE Red Prf B	18½		-	-	-	-
§180	F.P.	49.6	261½	180½	ICM Computer	260½		L2.63	2.8	1.3	30.1
§325	F.P.	21.8	[illegible]	330	†Inter-Alliance	302½	+2½	-	-	-	-
[illegible]	F.P.	22.4	127½	114½	JWE Telecom	115½	+½	W1.50	3.9	1.7	18.4
-	F.P.	133.8	94½	72½	Lowland Atlas	85	−1	L2.3	4.2	3.4	8.7
-	F.P.	290.8	278½	272½	Matalan	276½	+1	L5.0	2.5	2.3	22.7
100	F.P.	30.0	97½	97½	Murray VCT 3	97½		-	-	-	-
•	F.P.	-	100	100	Pennine Dwng VCT	100		-	-	-	-
-	F.P.	-	140½	130½	Taiwan IT GDR	140½	+2	-	-	-	-
§200	F.P.	158.4	246½	203½	Taylor & Francis	245	−½	L3.0	2.4	1.5	30.1
§170	F.P.	1,935	200	191	Thomson Travel	193½		W2.8	2.9	1.8	23.5
-	F.P.	-	36½	34½	Transport Dev B	[illegible]		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	May 20	% chg on day	May 19	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (32)	1195.19	−0.8	1204.26	1690.00	2.01	-	1598.47	881.23
Regional Indices								
Africa (14)	1333.28	+0.1	1332.37	1784.08	4.03	29.85	1784.08	921.78
Australasia (7)	1368.89	−2.3	1400.58	1795.89	2.44	19.86	1783.90	833.83
North America (11)	1136.78	−0.8	1148.58	1476.93	1.10	43.95	1574.16	884.86

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	May 21	Day's chge%	May 20	May 19	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5935.6	+0.5	5907.4	5877.8	4651.8	2.77	2.34	2.03	22.29	67.23	2592.43
FTSE 250	5854.5	+0.5	5825.5	5795.2	4501.5	2.83	2.39	2.04	21.70	55.87	2504.68
FTSE 250 ex IT	5810.8	+0.4	5884.6	5853.0	4515.2	2.91	2.45	2.10	20.60	57.89	2538.41
FTSE 350	2885.5	+0.8	2871.8	[illegible]	2253.3	2.78	2.35	2.03	22.18	31.85	2574.63
FTSE 350 ex IT	2888.0	+0.5	2874.5	2859.9	2253.2	2.80	2.36	2.04	21.02	31.99	1321.79
FTSE 350 Higher Yield	2820.8	+0.3	2811.5	2803.3	2798.0	3.77	3.21	1.92	17.23	38.42	2149.81
FTSE 350 Lower Yield	2959.3	+0.6	2941.9	2922.3	[illegible]	2.05	1.71	2.17	28.17	25.32	2147.15
FTSE SmallCap	2782.27	+0.3	2774.38	2760.49	2289.95	[illegible]	2.24	1.81	28.09	22.86	2414.44
FTSE SmallCap ex IT	2784.54	+0.2	2779.15	2764.63	2292.84	2.94	2.38	1.67	25.38	23.83	2440.71
FTSE All-Share	2821.98	+0.5	2808.79	2794.62	2212.70	2.78	2.34	2.00	22.48	30.44	2555.24
FTSE All-Share ex IT	2826.42	+0.5	2813.59	2799.31	2212.44	2.80	2.36	2.02	22.09	30.90	1316.73

FTSE Actuaries Industry Sectors

	May 21	Day's chge%	May 20	May 19	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 [illegible]	4880.79	+0.4	4859.91	[illegible]	4372.57	[illegible]	2.70	1.72	23.33	74.18	2245.30
12 Extractive Industries(6)	3232.56	−0.2	3240.17	3202.06	4513.14	4.35	3.60	2.03	14.16	76.82	1020.26
15 Oil, Integrated(4)	5452.00	+0.5	5426.11	5461.25	[illegible]	3.09	2.64	1.64	24.62	79.87	2579.79
16 Oil Exploration & Prod(12)	3412.43	+0.9	3382.27	3400.26	3630.87	1.67	1.38	2.00	37.34	31.12	2119.48
20 GEN INDUSTRIALS(226)	2430.51	+0.5	2418.10	2407.60	1928.09	3.06	2.66	2.21	18.58	27.86	1426.42
21 Construction(36)	1700.98	[illegible]	1690.18	1684.95	1382.66	2.67	2.33	2.89	16.44	18.68	[illegible]
22 Building Matls & Merchs(27)	2026.23	——	2026.54	2017.04	1855.85	3.69	3.14	2.03	16.74	[illegible]	1103.19
23 Chemicals(24)	3126.90	[illegible]	3118.31	3098.18	2336.17	3.02	2.62	1.73	23.91	41.83	1600.71
24 Diversified Industrials(10)	1508.50	−0.4	1513.99	1494.99	1376.37	3.59	3.38	2.40	14.50	20.65	927.02
25 Electronic & Elect Equip(26)	[illegible]	−0.3	2826.47	2795.38	2065.41	[illegible]	2.48	1.82	25.13	21.46	1532.37
26 Engineering(62)	3291.81	+0.9	3262.07	3254.02	2494.65	2.82	2.61	2.44	18.17	36.49	2121.74
27 Engineering, Vehicles(10)	4565.89	+1.8	4483.36	4484.21	2810.27	1.95	1.79	3.31	19.33	38.42	2514.66
28 Paper, Pckg & Printing(23)	2478.74	+0.7	2461.86	2470.99	2229.06	4.12	3.46	2.22	[illegible]	[illegible]	1116.07
30 CONSUMER GOODS(92)	5734.08	+0.2	5723.21	5716.84	4491.40	[illegible]	[illegible]	1.84	26.65	73.36	2268.70
32 Alcoholic Beverages(6)	4068.33	−2.3	4164.61	4138.65	3260.68	2.87	2.84	1.87	23.31	67.92	1594.65
33 Food Producers(25)	4174.39	——	4172.67	4158.74	2963.28	2.58	2.20	2.01	[illegible]	[illegible]	2025.25
34 Household Goods & Texts(24)	3543.11	+1.5	3490.19	3482.70	2964.13	3.10	2.76	2.19	18.41	46.45	1493.28
36 Health Care(14)	2399.70	−0.2	2405.49	2395.49	2172.90	2.12	1.91	2.39	24.63	15.80	1528.87
37 Pharmaceuticals(20)	9432.08	+1.1	9330.65	9337.64	7142.02	1.85	1.73	1.70	37.69	96.15	3373.62
38 Tobacco(3)	4744.81	−1.2	4801.42	4811.47	4690.66	5.42	4.79	1.75	13.15	121.61	1325.62
40 SERVICES(278)	3531.82	+0.7	3508.64	3485.81	2687.61	2.42	1.98	1.92	[illegible]	[illegible]	[illegible]
41 Distributors(28)	2930.25	+0.1	2925.92	2925.96	2750.45	3.28	2.69	2.00	18.19	33.42	1150.04
42 [illegible](27)	[illegible]	[illegible]	4062.80	4064.82	3484.64	2.45	1.98	2.37	21.50	51.40	2294.46
43 Media(41)	4687.92	+0.4	4667.60	4608.70	4334.82	2.20	[illegible]	2.16	26.34	45.46	1774.34
44 Retailers, Food(13)	2989.09	+1.3	2949.78	2954.14	[illegible]	2.98	2.38	[illegible]	19.81	36.16	2035.83
45 Retailers, General(48)	2451.30	+0.2	2446.61	2415.37	2079.30	[illegible]	2.45	2.04	[illegible]	[illegible]	1484.06
46 Telecommunications(10)	3888.92	+1.0	3849.83	3881.09	2285.17	2.24	1.85	1.37	40.85	4.04	1890.88
47 Breweries, Pubs & Rest.(24)	4304.91	+1.1	4255.68	4236.48	[illegible]	2.81	2.26	2.35	18.92	30.19	2191.63
48 Support Services(62)	5203.28	+0.6	5161.65	5060.91	3050.74	1.15	0.97	2.56	42.54	25.20	3427.53
49 Transport(25)	3825.15	+0.5	3804.81	3773.11	2853.36	2.69	2.19	1.31	35.57	25.93	1699.58
60 UTILITIES(22)	3792.25	−0.1	3795.14	3784.84	2818.01	4.20	3.36	1.73	17.18	14.30	1792.13
62 Electricity(8)	4220.37	−0.9	4259.25	4254.37	3131.29	4.67	3.74	1.98	13.49	7.28	2434.92
64 Gas Distribution(2)	2855.84	+1.3	2816.96	2901.49	1783.18	2.20	1.76	‡	‡	28.03	1708.39
68 Water(12)	3277.82	+0.1	3274.77	3263.61	2597.64	5.21	4.17	2.20	10.90	10.28	1990.74
69 NON-FINANCIALS(634)	2857.77	+0.4	2845.24	2836.08	2227.50	2.77	2.35	1.91	23.70	27.76	2323.04
70 FINANCIALS(185)	5484.48	+0.5	5457.03	5398.57	4357.56	2.92	2.40	2.34	18.33	80.27	2536.66
71 Banks, Retail(12)	7866.91	+0.5	7830.26	7744.82	6552.64	[illegible]	2.40	2.32	17.91	126.41	2757.58
73 Insurance(17)	2612.30	+1.7	2568.95	2513.85	1611.23	3.29	2.97	2.73	13.95	36.48	2151.05
74 Life Assurance(6)	6395.16	−0.1	6399.35	6922.19	[illegible]	[illegible]	[illegible]	2.60	17.91	100.92	3125.82
77 Other Financial(26)	5077.87	+0.9	[illegible]	5003.02	3255.76	2.18	1.78	2.24	25.64	59.08	3095.27
79 Property(46)	2326.56	−0.2	2330.56	2332.10	2029.07	2.81	2.33	1.49	29.91	11.41	1519.92
80 INVESTMENT TRUSTS(116)	4097.76	+0.9	4060.38	4044.29	3386.80	[illegible]	1.58	[illegible]	54.34	24.32	1489.74
89 FTSE All-Share(858)	2821.98	+0.5	2808.79	2794.62	2212.70	2.78	2.34	2.00	22.48	30.44	2555.24
105 FTSE All-Share ex IT(743)	2826.42	+0.5	2813.59	2799.31	2212.44	2.80	2.36	2.02	22.09	30.90	1316.73
Information Technology	1669.03	−0.2	1672.38	1621.53	-	0.52	[illegible]	3.37	71.48	2.87	1872.58
FTSE Fledgling	1501.07	+0.5	1493.51	1486.63	1290.49	2.92	2.36	1.44	29.72	12.75	1859.83
FTSE Fledgling ex IT	[illegible]	+0.5	1523.14	1515.86	1305.37	3.22	2.61	1.51	25.73	14.31	1898.52
FTSE AIM	1128.8	+0.3	[illegible]	1117.5	1081.5	1.11	0.88	0.44	80.00†	3.58	[illegible]

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	-	5970.2	5978.6	5975.1	5969.3	5966.8	5962.4	5944.8	5960.7	5991.1	5904.3
FTSE 250	-	5834.1	[illegible]	5843.7	5846.6	5850.0	5850.2	5852.4	5857.9	5861.7	5828.5
FTSE 350	-	2897.1	2901.0	2899.9	2897.9	2897.3	2895.5	2888.9	2895.6	2905.9	2870.8
FTSE SmallCap	2777.76	2778.57	2778.60	2779.62	2781.01	2781.72	2781.75	2782.12	2782.26	2782.65	2777.29
FTSE All-Share	-	2832.36	2836.99	2835.03	2833.27	2832.74	2831.17	2825.08	2831.25	2840.44	2808.24

Time of FTSE 100 Day's high: 9:42:00 Day's low: 8:39:15. FTSE 100 1998 High: 6105.8 (06/04/98) Low: 5088.7 (12/01/98)
Time of FTSE All-Share Day's high: 9:42:00 Day's low: 8:33:00. FTSE All-Share 1998 High: 2847.10 (06/04/98) Low: 2389.32 (12/01/98)

Further information is available on http://www.ftse.com

† Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. Deletions: Five Oaks Investment (FTSE Fledgling); The Energy Group (FTSE 100); Cox Insurance (FTSE SmallCap); Misys (FTSE 250). Inserts: Misys (FTSE 100); Cox Insurance (FTSE 250).

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks yesterday

	Vol 000's	Closing price	Day's change
3i	1,400	646	+6
[illegible]	1,300	[illegible]	+15
ASDA Group	8,809	184¼	−1¼
Abbey National	1,800	1077	[illegible]
[illegible]	743	808	+3
Allied Domecq	1,600	607	−2½
Assoc. Brit. Foods	873	[illegible]	−10½
BAA	1,100	654½	+7
BAT Inds.	6,400	[illegible]	−8
BOC	1,700	877	+14
BG	8,200	328	+6½
BP	5,400	[illegible]	−2
BSkyB	1,300	482½	−3
BT	10,100	648	+10
BTR	7,300	188	−2
Bank of Scotland	7,100	743	+14½
Barclays	2,300	1670	−14
Bass	1,900	1097	+17
Billiton	796	164	+1
Blue Circle	4,300	367	−5
Boots	1,700	983	+½
Brit. Aerospace	6,800	510½	+6½
British Airways	1,700	649	+1
British Energy	2,100	[illegible]	−2
British Land	831	788	−2
British Steel	4,300	159½	+½
Cable & Wireless	3,000	718	+2
Cadbury Schweppes	1,800	921	+23
Carlton Comms.	2,400	488	−8
Centrica	3,300	109	−½
Comm. Union	2,300	1140	+36
Compass	1,700	1287	+41
Diageo	4,000	730	−31
EMI	784	531	−2
Energy Group	1,800	841½	+11½
Enterprise Oil	686	576	+1
Foreign & Col. I.T.	378	207½	+2
Gen. Accident	1,800	1442	+37
General Electric	4,700	518½	−6½
Glaxo Wellcome	4,300	1705	+38
Granada	2,100	1100½	+3½
GUS	1,700	885	+8
GRE	1,800	369	+8½
GKN	2,000	873	+8
HSBC (75p shs)	4,400	1681	+32
HSBC (HK$10)	3,500	1589	+33
Halifax	2,800	809	−11
Hays	1,700	1085	−5
ICI	828	1101	−8
Kingfisher	1,900	1094	−15
Ladbroke	1,800	347	−½
Land Securities	883	1007	−8
Legal & General	2,500	683½	+12
Lloyds TSB	6,200	885½	+7
LASMO	1,600	290	+6½
LucasVarity	2,600	277½	+11
Marks & Spencer	6,200	583	
Misys†	1,700	3417	−153
NatWest Bank	3,300	1139	+27
National Grid	2,900	387	−5
National Power	4,700	598½	−12½
Next	3,700	545	+3
Northern Rock†	1,500	572	+13½
Norwich Union	2,300	445	−1
Nycomed Amersham	151	2010	+3
Nycomed Amer NV	7	2020	−80
Orange	493	481½	+1½
Pearson	2,300	1061	+1
P & O	1,500	870	−2
PowerGen	1,300	785	−16
Provident Financial	714	945½	−1½
Prudential	2,900	819	+3
RMC†	7,100	1142	−2
Railtrack	870	1208	+24
Rank Group	1,600	391½	−5½
Reckitt & Colman	412	1227	+37
Reed Intl.	3,900	576	−4
Rentokil Initial	2,800	413	+17½
Reuters	3,800	702	+14
Rio Tinto	1,500	817	−7
Rolls Royce	3,700	284	+7
Royal & Sun Alliance	7,500	673	+3½
Royal Bank Scotland	1,700	1038	+24½
Safeway	3,700	380¼	+10¼
Sainsbury	2,800	500¼	−1½
Schroders	55	1509	+23
Schroders NV	69	1734	+114
Scottish & Newcastle	1,700	896	
Scottish Power	2,000	545	+1½
Severn Trent	1,400	965	+13
Shell Transport	9,500	454½	+6½
Siebe	2,400	1514	+44
SmithKline Beecham	15,600	683	+9
Smiths Inds.	827	893	+10
Southern Electric	886	532	+6½
Standard Chartered	3,400	787	−12
Sun Life & Provincial	183	581	+11
TI Group†	902	605	+17
Tesco	9,800	546	+15½
Thames Water	1,300	952½	−5
Tomkins	4,700	361	+2½
Unilever	5,400	666	−5
Utd. News & Media	1,200	834	−8
United Utilities	795	821	−4
Vodafone	9,800	654½	+7½
Whitbread	2,300	1010	+8
Williams	1,500	438	−8½
Wolseley	801	438	−8½
Woolwich	1,200	353	+3½
Zeneca	1,100	2549	+8

Based on trading volumes for the FTSE 100 constituent companies and reverses yesterday until 4.30pm. † Indicates a FTSE 100 index reverse. All trades are rounded. Source: Excel, part of FT Information.

هكذا من الأصل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (May 20 / Sch)

BELGIUM/LUXEMBOURG (May 20 / Frs.)

CZECH REP (May 21 / Koruna)

DENMARK (May 20 / Kr)

FINLAND (May 20 / Mkk)

FRANCE (May 20 / Frs.)

GERMANY (May 20 / Dm.)

GREECE (May 21 / Drachma)

ITALY (May 21 / Lira)

NETHERLANDS (May 20 / Fls.)

POLAND (May 21 / Zloty)

PORTUGAL (May 21 / Escudo)

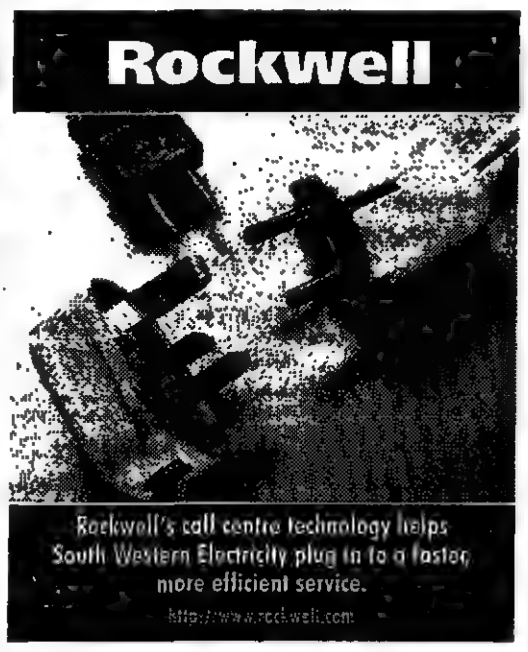
SPAIN (May 21 / Pta.)

SWEDEN (May 20 / Kronor)

SWITZERLAND (May 20 / SFr.)

TURKEY (May 21 / Tk Lira)

NORWAY (May 20 / Krone)



PACIFIC

JAPAN (May 21 / Yen)

HONG KONG (May 21 / H.K.$)

INDONESIA (May 20 / Rupiah)

MALAYSIA (May 21 / MYR)

NEW ZEALAND (May 21 / NZ $)

SINGAPORE (May 21 / S$)

AUSTRALIA (May 21 / Aust$)

SOUTH KOREA (May 21 / Won)

TAIWAN (May 21 / TW $)

THAILAND (May 21 / Baht)

AMERICAS

CANADA

TORONTO (May 21 / Can $)

4 pm close

MONTREAL (May 21 / Can $)

4 pm close

MEXICO (May 21 / Peso)

12.30 pm

AFRICA

SOUTH AFRICA (May 21 / Rand)

Emerging markets:

IFC investable indices

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY MAY 20 1998 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY MAY 19 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (72)	197.91	-0.5	178.81	170.29	182.12	210.46	-0.8	3.75	198.98	181.60	171.17	184.60	212.13	243.87	180.25	230.47
Austria (23)	247.92	1.7	225.24	213.32	228.14	228.01	0.9	1.44	243.78	222.49	209.71	226.16	226.04	247.92	181.60	194.58
Belgium (26)	350.94	2.4	318.83	301.98	322.93	316.09	1.8	2.29	342.73	312.80	294.83	317.98	311.02	350.94	234.33	247.86
Brazil (26)	226.84	0.2	205.91	195.01	208.55	479.20	0.2	2.18	226.12	206.37	194.52	209.78	478.63	322.44	184.64	257.47
Canada (120)	245.04	0.7	222.63	210.84	225.49	257.18	0.7	1.56	243.38	222.13	209.37	225.79	256.51	248.76	199.10	282.05
Denmark (34)	507.94	2.0	461.48	437.05	467.40	468.08	1.3	1.30	497.79	454.32	428.22	461.82	460.15	521.81	375.32	[illegible]
Finland (28)	439.78	1.4	399.55	378.40	404.89	496.44	0.6	1.84	433.79	395.83	373.09	402.36	493.64	457.12	257.45	270.48
France (79)	322.25	2.2	292.77	277.27	296.53	300.08	1.4	1.96	315.24	287.71	271.18	292.46	[illegible]	322.25	213.42	228.54
Germany (58)	297.38	2.8	270.18	255.88	273.65	273.65	2.9	1.20	289.21	263.96	248.79	268.31	268.31	297.38	204.89	210.01
Greece (37)	290.00	3.2	263.47	249.52	266.86	636.03	2.4	1.46	281.10	256.56	241.82	260.79	621.14	298.79	264.68	–
Hong Kong, China (66)	285.64	0.4	259.51	245.77	262.84	284.16	0.4	5.57	284.45	259.61	244.70	263.90	283.01	580.03	282.93	594.83
Indonesia (27)	32.13	9.8	29.19	27.64	29.56	230.58	2.0	3.06	29.24	26.69	25.15	27.13	226.01	254.00	27.28	222.78
Ireland (16)	529.84	-0.8	481.19	455.72	487.37	525.09	-1.5	1.85	534.18	487.51	459.51	495.56	533.25	550.44	336.88	346.90
Italy (54)	165.38	0.5	150.25	142.30	152.18	215.57	-0.3	1.30	164.56	150.19	141.56	152.67	216.21	177.15	86.93	[illegible]
Japan (480)	94.05	0.4	85.44	80.92	86.54	80.92	0.4	[illegible]	93.66	85.48	80.57	86.89	80.57	141.12	88.52	135.36
Malaysia (107)	162.19	3.9	147.35	139.55	149.25	230.81	2.9	2.90	156.09	142.46	134.28	144.81	232.07	541.84	113.56	518.98
Mexico (29)	1512.71	-0.7	1374.34	1301.68	1391.99	14231.97	-0.6	1.71	1523.86	1390.79	1310.89	1413.74	14312.71	1901.98	1405.17	1425.06
Netherlands (19)	522.15	1.9	474.39	449.28	480.40	475.42	1.1	1.94	512.53	467.77	440.90	475.49	470.40	582.15	[illegible]	[illegible]
New Zealand (14)	68.60	0.9	62.33	59.03	63.13	68.29	0.4	4.70	67.95	62.02	58.46	63.04	68.01	98.47	67.95	87.46
Norway (38)	329.80	0.6	299.64	283.77	303.49	334.18	0.0	1.88	327.86	299.23	282.04	304.17	334.06	374.04	281.82	303.00
Philippines (22)	92.30	3.2	83.65	79.41	84.93	178.46	2.0	1.16	89.43	81.62	76.93	82.97	174.93	173.10	57.54	148.80
Portugal (18)	290.69	1.8	264.10	250.12	267.48	360.85	1.0	1.08	285.48	260.55	245.58	264.85	357.22	299.30	278.87	–
Singapore (42)	178.83	0.8	162.47	153.87	164.56	136.06	0.6	2.23	177.49	161.99	152.68	164.67	135.23	401.75	144.07	389.65
South Africa (43)	313.59	-1.1	284.91	269.83	288.57	349.80	-1.0	2.58	317.11	289.42	272.79	294.20	353.32	384.24	227.65	258.57
Spain (31)	386.63	2.2	351.26	332.67	355.78	440.75	1.4	1.74	378.40	345.36	325.52	351.06	434.60	386.69	236.28	249.95
Sweden (49)	600.92	1.4	545.95	517.05	552.96	685.65	0.6	1.71	592.54	540.80	509.73	549.72	681.68	612.15	438.88	456.94
Switzerland (30)	402.85	0.8	366.00	346.62	370.70	368.56	0.1	1.09	400.63	365.64	344.64	371.68	368.24	410.80	285.85	292.28
Thailand (39)	22.11	2.4	20.09	19.02	20.34	33.76	2.1	8.29	21.59	19.70	18.57	20.03	33.07	69.69	13.10	64.03
United Kingdom (208)	379.97	0.9	345.21	326.93	349.64	345.21	0.5	2.85	376.54	343.66	323.91	349.33	343.66	401.84	283.10	339.40
USA (635)	456.64	0.7	414.87	392.91	420.20	456.64	0.7	1.41	453.30	413.72	389.95	420.54	453.30	462.18	336.15	340.36
Americas (810)	412.98	0.7	375.20	355.34	380.02	349.06	0.7	1.42	410.03	374.23	352.73	380.40	346.57	418.95	306.65	311.30
Europe (748)	359.87	1.5	326.95	309.64	331.15	339.25	0.8	1.98	354.60	323.64	305.04	328.98	336.47	363.59	258.75	261.56
Eurobloc (352)	104.00	2.0	106.18	106.40	103.45	103.51	1.2	1.64	101.93	104.54	104.26	102.22	102.25	104.00	100.00	–
Nordic (149)	525.11	1.4	477.08	451.82	483.20	525.98	0.6	1.65	517.66	472.46	445.31	480.25	522.63	535.56	386.48	392.82
Pacific Basin (869)	102.00	0.4	92.67	87.77	93.86	88.29	0.4	1.89	101.58	92.69	87.36	94.22	87.94	158.99	95.32	152.75
Euro-Pacific (1617)	209.49	1.2	190.33	180.25	192.77	182.85	0.7	1.90	207.04	188.96	178.10	192.07	181.57	210.04	172.03	196.16
North America (755)	443.16	0.7	402.63	381.31	407.80	443.20	0.7	1.41	439.94	401.52	378.45	408.14	440.04	446.67	330.06	[illegible]
Europe Ex. UK (540)	337.58	1.8	306.70	290.46	310.64	325.91	1.0	1.56	331.72	302.75	285.35	307.75	322.64	337.58	230.16	235.28
Europe Ex. Eurobloc (396)	98.35	0.9	100.42	100.02	97.84	99.51	0.4	2.33	97.44	99.94	99.67	97.73	99.09	100.97	95.35	–
Europe Ex. UK Ex. Eurobloc (188)	101.81	1.0	103.95	104.16	101.28	101.21	0.4	1.32	100.82	103.41	103.13	101.12	100.82	103.87	99.32	–
Pacific Ex. Japan (389)	177.38	0.5	161.16	152.63	163.23	182.00	0.2	4.31	176.44	161.03	151.78	163.69	181.59	318.98	161.31	[illegible]
World Ex. Eurobloc (2118)	98.75	0.7	89.72	84.97	90.87	99.39	0.6	1.64	98.06	89.50	84.36	90.98	98.80	100.18	97.54	–
World Ex. US (1835)	213.11	1.1	193.62	183.37	196.11	190.08	0.7	1.89	210.78	192.38	181.33	195.55	188.83	220.18	175.30	201.27
World Ex. UK (2262)	283.20	0.9	257.30	243.68	260.60	259.18	0.7	1.50	280.63	256.13	241.41	260.35	257.31	287.02	224.24	240.24
World Ex. Japan (1990)	389.52	1.0	353.89	335.15	358.43	382.79	0.7	1.72	385.77	352.08	331.86	357.89	380.01	394.38	301.66	302.03
The World Index (2470)	291.44	0.9	264.78	250.79	268.18	267.00	0.7	1.64	288.79	263.57	248.43	267.92	265.14	296.57	241.39	245.32

4 pm close May 21

NEW YORK STOCK EXCHANGE PRICES

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

Dealings suspended.

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	May 20	May 19	May 18	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	9171.48	9054.65	9050.91	9211.84 (13/5)	7580.42 (9/1)	9211.84 (13/5/98)	41.22 (8/7/32)
Home Bonds	104.85	104.76	104.89	105.48 (15/1)	104.42 (11/5)	105.48 (15/1/98)	54.99 (1/10/81)
Transport	3388.75	3369.78	3367.21	3686.02 (16/4)	3194.36 (9/1)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	281.28	278.60	279.43	291.18 (2/4)	262.66 (9/1)	291.18 (2/4/98)	16.53 (8/7/32)

DJ Ind. Day's high 9218.06 (9164.51) Low 9010.58 (8997.38) (Theoretical)
Day's high 9172.98 (9113.44) Low 9052.02 (9038.21) (Actual)

Standard and Poors	May 20	May 19	May 18	1998 High	1998 Low	Since compilation High	Since compilation Low
Composite‡	1119.06	1109.52	1105.82	1130.54 (22/4)	927.69 (9/1)	1130.54 (22/4/98)	4.40 (1/6/32)
Industrials	1305.24	1295.10	1291.70	1311.48 (22/4)	1077.40 (9/1)	1311.48 (22/4/98)	3.52 (30/6/32)
Financial	135.88	133.79	133.11	140.63 (14/4)	110.65 (9/1)	140.63 (14/4/98)	7.13 (4/9/74)
Others							
NYSE Comp	578.63	573.92	572.08	585.62 (22/4)	487.47 (9/1)	585.62 (22/4/98)	4.64 (25/4/42)
Amex Comp	732.22	732.69	732.36	753.67 (22/4)	648.41 (12/1)	753.67 (22/4/98)	524.20 (18/7/96)
NASDAQ Cmp	1831.75	1846.87	1831.82	1917.61 (22/4)	1503.22 (9/1)	1917.61 (22/4/98)	54.87 (3/10/74)
Russell 2000	469.54	470.86	467.81	491.41 (21/4)	410.89 (12/1)	491.41 (21/4/98)	123.36 (7/12/83)

RATIOS

	May 15	May 8	May 1	Year ago
Dow Jones Ind. Div. Yield	1.58	1.56	[illegible]	1.71

	May 20	May 13	May 6	Year ago
S & P Ind. Div. yield	1.30	1.30	1.33	1.67
S & P Ind. P/E ratio	30.98	31.06	30.66	23.39

US DATA

MARKET ACTIVITY

● Volume (million)	May 20	May 19	May 18
NYSE	597.290	570.429	520.010
Amex	26.508	24.926	22.146
NASDAQ	683.808	687.581	695.482

NYSE	May 20	May 19	May 18
Issues Traded	3,508	3,511	3,492
Rises	1,478	1,679	932
Falls	1,446	1,289	2,036
Unchanged	587	566	524
New Highs	69	54	43
New Lows	86	66	76

NYSE TRADING ACTIVITY

Volume : 597,290,000

ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Compaq	9,046,100	28¼	–½
Analog	7,874,100	27¾	–6⅛
AT&T	7,248,200	58⅞	+2⅞
Pepsico	7,100,700	40⅛	+2⅛
PhMorr	7,010,400	36⅝	+⅛
Cendnt	5,929,800	21⅞	–½
Chrysl	5,195,400	53½	+1½
HewPac	4,878,300	65⅞	–⅞
G2000	4,783,900	46⅞	–3⅛
GenElec	4,502,700	85⅞	+3

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Aspco 2.1P	24⅛	+2⅞	+12.4
Pepsico	40⅛	+2⅛	+6.6
[illegible]	46¼	+2⅝	+6.6
Conseco	16¾	+1	+6.5
Downs			
Analog	27¾	–6⅛	–17.9
H'cock Fab	12⅞	–1⅞	–10.6
Green Mt P	15⅝	–1¼	–7.4
AdvMic	20⅞	–1⅞	–7.0

NASDAQ TRADING ACTIVITY

Volume :683,808,000

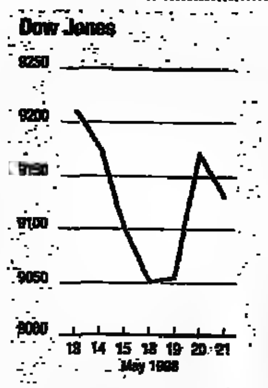
ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
DellCmp	28,373,900	91¾	–2⅞
Intel	17,239,500	77	–2⅛
WrldCm	10,473,400	44⅝	–⅛
CiscoSys	10,108,300	78⅝	–1¾
Micsft	8,921,000	85⅝	–¼
Novell	6,299,200	11⅞	–⅛
ApplMat	6,062,800	35⅝	–1⅛
AscendCom	5,961,900	47⅛	+¾
Oracle	5,887,700	25⅝	–⅞
3Com	3,891,700	28⅞	+¾

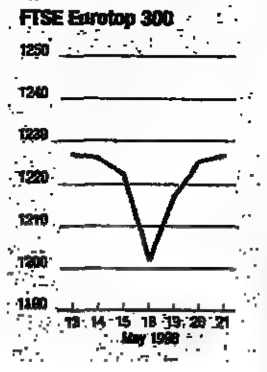
BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
VISX	52⅝	+6¾	+14.7
MetroneB	26½	+2½	+10.4
NBTY	18⅞	+1⅞	+9.5
CarltonCm	45¾	+3¼	+8.1
Downs			
Bear Brnd	25⅛	–2⅛	[illegible]
Cracker B	32⅝	[illegible]	–8.1
BEA Sys	24⅝	[illegible]	–8.7
Midwd. B	22⅛	–1⅞	[illegible]

Dow Jones



FTSE Eurotop 300



JAPAN

	May 21	May 20	May 19	1998 High	1998 Low	Since compilation High	Since compilation Low
Nikkei 225	15845.25	15552.95	15551.65	17264.34	14664.44	38915.9	85.25

Day's high: 15972.88. Day's low: 15635.25.

TOKYO TRADING ACTIVITY

Volume : 488,000,000

ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Np Steel Cp	28,551,000	236	+3
Nissan Mtr	8,201,000	488	+6
Sakura Bk	7,688,000	449	+5
Kawatd Stl	7,038,000	210	+10
Sanyo Elct	6,398,000	408	+22
Ishiara Sois	6,177,000	285	+46
Mitsui T & B	5,848,000	337	[illegible]
LTCB	5,678,000	219	+9
Fuji Bank	5,500,000	728	+11
Hitachi	5,487,000	972	–27

BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Okasan Hous	320	[illegible]	+33.3
Ishiara Sois	285	+46	[illegible]
Nittoc Const	373	[illegible]	+16.6
[illegible]	193	+25	+14.9
Fukusuke Cp	255	[illegible]	+14.4
Np Sanso	439	+54	+14
Downs			
Shimom	156	–16	–9.3
Zexel Cp	290	[illegible]	–8.8

FRANCE

	May 21	May 20	May 19	1998 High	1998 Low	Since compilation High	Since compilation Low
CAC 40	(c)	4047.92	3960.84	4047.92	2862.54	4047.92	994.61

Day's high: – Day's low: –

PARIS TRADING ACTIVITY

Volume : 672,887,070

ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
France Tel	1,597,620	345.0	+10.0
Eaux Generale	1,565,022	1176.0	–2.0
Havas	1,404,039	543.0	–28.0
Rhone-Poul	915,775	308.5	+4.7
Elf Aquit	891,675	850.0	+10.0
Alcatel	759,604	1280.0	+24.0
Usinor	719,740	97.35	+0.3
Sodexho Allce	682,791	1199.0	+14.0
Bq Nt Paris	617,937	518.0	+10.0
Total B	614,320	750.0	+2.0

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Cie Equip	199.9	+34.8	+21.1
Bourgeois	60.0	+9.9	+19.8
Guy&Gascgne	2125.0	+200.0	+10.4
Sagem	2430.0	+223.0	+10.1
Downs			
Transiciel	615.0	–170.0	–21.7
Tete Neng	72.2	–17.8	–19.8
Waelee SA	105.0	–20.1	–16.1
Infonie	85.5	–13.3	–13.5

GERMANY

	May 21	May 20	May 19	1998 High	1998 Low	Since compilation High	Since compilation Low
DAX	(c)	5510.98	5388.90	5510.98	4087.28	5510.98	931.18

Day's high: – Day's low: –.

FRANKFURT TRADING ACTIVITY

Volume 17,848,548

ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Deutsche Tel	1,090,625	48.1	+0.5
Daimler-Bnz	728,332	196.5	+4.4
Commerzbnk	587,238	69.6	+0.65
Bayer	553,829	82.15	+1.5
Deutsche Bnk	511,161	158.75	+3.5
BASF	495,798	80.43	+0.58
Dresdner Bnk	454,409	102.2	+1.8
Hoechst	410,058	79.55	–1.3
Siemens	391,337	117.8	–1.0
Veba	380,311	123.2	+3.5

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Moenus Text	16.5	+1.9	+13.1
Hucke	48.0	+4.0	+8.5
Deutz	19.2	+1.3	+7.3
Dis Deutscher	116.0	+7.5	+6.9
Downs			
Mtrs Wrk NV	1165.0	–135.0	–10.4
Reichelt Otto	21.5	–2.0	–8.5
Beta Sys	136.0	–9.5	–6.5
Lindner Hldgs	32.0	–2.0	–5.9

UK

	May 21	May 20	May 19	1998 High	1998 Low	Since compilation High	Since compilation Low
FTSE 100	5935.6	5907.4	5877.8	6105.80	5068.80	6105.8	986.9

Day's high: 5891.1. Day's low 5904.3.

LONDON TRADING ACTIVITY

Volume : 778,500,000

ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Belgo Grp	25,339,480	10¾	+¼
Sears	15,883,130	61¼	–½
SmithKline	15,867,710	683	+8
Dana Ptrim	14,557,880	21½	
Br Telecom	10,098,790	648	+10
Tesco	9,846,437	546	+15½
Vodafone	9,807,190	654½	+7½
Shell T&T	9,471,190	454½	+6½
Grenwch Res	8,923,503	38	+9½
ASDA	8,813,378	184½	–1½

BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
[illegible]	8½	+1¼	+46.7
Desmo Prt	414	+108½	+35.5
Grenwch Res	38	+9¼	+32.2
GBE Intl	12½	+3	+30.8
Downs			
[illegible]	20½	–7½	[illegible]
Tamaris	2	–¼	–11.1
Beauford	10	–1¼	–11.1
Ultima Ntwk	11½	–1¼	–10.0

INDEX FUTURES

S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	1123.60	1124.50	+0.40	1128.60	1122.40	102,457	337,752
Sep	1137.50	1136.40	–	1137.50	1134.30	3,715	24,603

Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	15750.0	15870.0	+280.0	15980.0	15740.0	28,541	202,927
Sep	15730.0	15870.0	+260.0	15980.0	15730.0	711	13,680

Open interest figures for previous day

CAC-40 (250 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
May	4025.0	4025.0	+48.0	4031.0	4014.0	775	38,036
Jun	4007.0	4004.5	+47.5	4007.0	4001.5	11	22,191

DAX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jun	5431.6	5517.5	+72.5	5539.0	5423.5	22,984	124,550
Sep	5495.0	5585.5	+71.50	5581.5	5495.0	493	17,775

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
May	765.25	768.50	+6.50	770.50	765.25	18,190	40,458
Jun	769.00	773.00	+7.25	774.00	769.00	15,752	113,106

SOFFEX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jun	7495.0	7482.0	+7.1	7513.0	7451.1	1,848	19,178
Jul	7493.0	7485.0	+91.3	7502.0	7493.0	8	2,696

WORLD MARKETS AT A GLANCE

Country	Index	May 21	May 20	May 19	1998 High	1998 Low	✣ Yield	✣ P/E
Argentina	General	21808.13	21872.80	21499.43	23495.47 23/3	19237.49 2/1	3.0	18.5
Comment								
Australia	All Ordinaries	2738.5	2723.2	2742.0	2861.40 18/4	2542.40 12/1	3.4	19.7
	All Mining	635.2	629.8	640.3	713.10 23/4	582.20 13/1		
Resignation of Indonesia's President Suharto helped sentiment. But in broader market rises and falls were in balance.								
Austria	Credit Aktien	(c)	579.47	575.41	575.41 19/5	437.44 13/1	4.1	20.7
	ATX Index	(c)	1394.59	1385.54	1394.59 20/5	1246.69 13/1		
Belgium	BEL20	(c)	3178.53	3138.10	3178.53 20/5	2397.78 10/1	1.8	20.9
Brazil	Bovespa	10304.0	10408.0	10349.0	12259.60 15/4	9118.09 9/1	na	na
Canada	TSE 100◆	470.56	468.71	467.13	475.28 15/4	388.63 12/1	1.5	23.3
	Metals Mnls◆	3968.21	3978.89	3972.79	4360.01 10/3	3442.35 12/1		
	Composite◆	7705.80	7695.40	7682.40	7822.30 22/4	6239.98 12/1		
	Portfolio§§	3917.44	3897.62	3960.86	3947.87 15/4	3234.41 12/1		
§Market led higher by gains in Seagram as investors awaited word of its widely expected purchase of PolyGram.								
Chile	IGPA Gen	4375.27	4374.95	4347.92	4991.95 17/3	4243.47 27/1	2.9	14.3
China	Shanghai B	48.97	48.00	48.25	59.58 10/2	40.89 12/1	0.6	28.3
	Shenzhen B	91.40	91.30	92.88	98.97 10/2	77.58 12/1		
Zhejiang Power – up 3.1 per cent – led Shanghai B shares higher and market turnover increased to $5.73m.								
Colombia	IBB	(c)	1180.46	1180.00	1481.46 7/1	1130.31 19/3	na	na
Czech Republic	PX 50	471.9	471.0	468.1	617.30 23/3	462.40 4/2	na	na
Blue chips were mixed but analysts said that market sentiment was improving.								
Denmark	CopenhagenSE	(c)	737.98	729.82	778.84 7/4	667.06 12/1	1.4	23.2
Egypt	Cairo SE Gen	(c)	380.67	382.41	389.19 21/4	345.40 2/2	na	na
Foreign selling and a lack of confidence among domestic investors sent broad market lower.								
Finland	HEX General	(c)	4916.14	4895.42	5828.04 11/5	3289.49 12/1	2.0	17.5
France	SBF 250	(c)	2811.66	2576.09	2811.66 20/5	1873.10 12/1	2.3	19.2
	CAC 40	(c)	4047.92	3960.84	4047.92 20/5	[illegible] 12/1		
Germany	FAZ Aktien	(c)	1782.63	1728.13	1782.63 20/5	[illegible] 12/1	1.3	22.4
	Commerzbank	(c)	5803.70	6123.70	5803.70 20/5	3926.28 12/1		
	DAX‡	(c)	5510.98	5388.90	[illegible] 20/5	4087.28 12/1		
Greece	Athens SE	2573.96	2547.01	2493.70	2894.84 5/5	1386.13 29/1	1.7	28.2
	FTSE/ASE 20	1545.74	1533.61	1493.66	1801.83 5/5	785.18 29/1		
Upbeat industrials overcame a poor showing in banks after the failure of talks to end strike at Ionian Bank.								
Hong Kong	Hang Seng	9870.45	9549.18	9449.11	11916.63 26/3	8121.06 12/1	4.3	10.1
	HSCC Red Chip	1299.20	1320.86	1259.57	1775.99 27/2	964.50 12/1		
News of Indonesian president's resignation brought buyers back into market. Financials and properties led the gains.								
Hungary	Bux	8142.71	7895.58	7911.36	9816.36 23/4	7260.79 12/1	na	na
Prices moved ahead for third straight day on speculative demand ahead of second round of general elections on Sunday.								
India	BSE Sens.	3908.79	3958.98	3924.42	4280.98 21/4	3209.55 29/1		
	Crisil 500	749.74	764.19	751.82	815.82 21/4	594.39 29/1	na	na
Investors unwound positions on reports of increased tension on India-Pakistan border.								
Indonesia	Jakarta Comp.	(c)	424.01	413.82	554.16 2/2	342.97 9/1	2.3	14.2
Ireland	ISEQ Overall	5190.82	5186.38	5253.93	5471.89 21/4	4084.76 2/1	1.8	21.5
Market weak in spite of demand for banking sector.								
Israel	Tel Aviv 100	(c)	321.07	319.19	323.91 13/5	283.12 11/2	na	na
Wave of Bank Hapoalim shares washed through exchange, lifting market to record high.								
Italy	BCI Comit 30	350.73	344.00	344.98	380.53 6/4	264.84 2/1	1.3	30.8
	Banca Com Ital	1518.60	1505.41	1485.85	1654.36 7/4	1072.35 2/1		
	Mibtel General	24158.0	23760.0	23530.0	26377.00 6/4	17206.00 2/1		
Shares ahead on relief over situation in Indonesia and news that justice minister had withdrawn threat to resign.								
Japan	Nikkei 225	15845.25	15552.95	15551.65	17264.34 2/3	14664.44 12/1	0.9	41.9
	Nikkei 300	243.70	242.53†	241.83	257.43 10/2	[illegible] 12/1		
	Topix	1232.29	1225.62	1219.88	1309.30 10/2	1129.81 12/1		
	2nd Section	1305.28	1299.47	1291.13	1401.27 12/2	1173.78 14/1		
President Suharto's resignation in Indonesia encouraged buyers back and volume expanded.								
Jordan	Amman SE	(c)	179.82	179.82	182.03 19/5	164.64 30/1	na	na
Malaysia	KLSE Comp.	588.82	589.19	554.42	746.36 27/2	477.57 12/1	1.3	11.1
Financials soared after government announced plans to set up special agency to acquire bad loans from banks.								
Mexico	IPC	4597.53	4607.34	4624.45	5294.09 2/1	4477.80 29/1	1.4	10.7
§Market ahead in very early trade as investors sought out cheaply priced stocks.								
Morocco	CASA	834.96	835.85	832.85	898.76 18/5	666.57 21/1	na	na
Little changed in mixed trade.								
Netherlands	CBS TtlRtnGen	(c)	1394.6	1369.3	1394.60 20/5	1046.20 12/1	3.0	12.5
	CBS All Shr	(c)	784.2	775.7	789.20 6/4	599.30 12/1		
New Zealand	Cap. 40	2217.68	2220.19	2212.82	2309.02 20/3	2107.81 28/1	1.5	17.5
Large gains in Lion Nathan and Fletcher Challenge Forests boosted market turnover to NZ$183m.								
Nigeria	SE All-Share	6089.40	6089.47	6092.37	6604.97 11/2	2238.49 12/1	na	na
Norway	Oslo SE Ind	(c)	2251.97	2237.93	2370.98 4/5	1888.91 12/1	1.7	25.6
Pakistan	Karachi SE	1260.65	1249.80	1308.08	1749.31 2/1	1249.80 20/5	na	na
First session bounce clipped back following reports of tensions at the disputed Kashmir border with India.								
Peru	Lima Gen	1770.51	1779.28	1813.80	1903.91 4/5	1552.60 25/2	na	na
Philippines	Manila Comp	2148.61	2100.29	2080.91	2311.42 25/3	1818.00 8/1	1.5	18.6
A cut in bank's reserve requirements compounded news of Indonesian president's resignation. Properties gained most.								
Poland	WIG	17169.9	16403.9	16535.0	18582.79 11/3	13228.80 12/1	1.3	14.2
Market moved swiftly ahead in response to Wednesday's reduction in lombard and discount rates.								
Portugal	BVL 30	[illegible]	5788.73	5712.13	6176.89 22/4	3979.27 2/1	1.3	13.3
	PSI 20	13392.07	13268.54	13089.59	14282.99 22/4	9031.84 2/1		
Wood products group Sonae Industria more than 7 per cent higher as investors welcomed first-quarter results.								
Russia	RTS	230.23	233.15	236.56	411.61 5/1	227.61 18/5	na	na
Shares weak in spite of news that government and IMF close to agreement on measures to stabilise economy.								
Singapore	SES All-S'pore	352.37	345.33	345.47	437.98 19/3	324.92 12/1	1.8	22.6
	Straits Times	1319.65	1273.78	1278.62	1698.75 19/3	1073.47 13/1		
Advances outscored declines by over 9 to 1 in active trading as investors cheered Indonesian president's resignation.								
Slovakia	SAX	116.97	118.01	118.89	182.46 5/1	116.02 13/5	na	na
Market continued on downward spiral, ending at another record low.								
South Africa	JSE All Share	8127.4	8085.5†	8121.6	8358.70 20/4	[illegible] 12/1	1.7	42.6
	JSE Gold	1046.0	1028.8†	1023.5	1101.50 24/4	672.60 18/3		
	JSE Indl.	8883.6	8839.3†	8857.6	8942.70 20/4	6715.10 12/1		
Johannesburg rallied, mostly on the back of the overnight bounce on Wall Street.								
South Korea	KoreaCmpEx**	362.30	369.17	362.53	574.35 2/3	361.69 12/5	1.4	17
Index turned down from intra-day high of 373.46 in response to news of 3.8 per cent contraction in first-quarter GDP.								
Spain	Madrid SE	879.82	880.57	868.43	939.83 6/4	646.14 12/1	1.7	28.1
Shares weaker as profit-taking kicked in after several days of gains.								
Sri Lanka	CSE All Share	718.80	717.50	728.10	789.70 4/5	[illegible] 28/1	na	na
Local investors increasingly cautious on possibility that investors may soon turn attention back to Indonesia.								
Sweden	AffarsvarldsGen	(c)	3713.3	3694.8	3780.00 15/4	[illegible] 12/1	2.5	14.8
Switzerland	SMI Index	(c)	7405.8	7483.2	7627.70 6/4	6062.10 12/1	2.8	14.1
	SPI General	(c)	4740.01	4730.58	4847.72 6/4	3761.38 12/1	na	na
Taiwan	WeightedPr.**	8360.32	8267.49	8138.27	9277.09 2/3	7376.14 12/1	1.0	30.4
Rallied with regional markets following Indonesian president's resignation. Financials – up 3.3 per cent – led the gains.								
Thailand	Bangkok SET	359.91	355.51	345.46	558.82 3/2	339.17 12/1	1.2	21.5
Dhana Siam Finance tumbled 27 per cent amid fears of liquidity problems in wake of its postponed rights issue.								
Turkey	IMKB Nat 100	4122.25	4094.13	(c)	4395.77 22/4	2777.89 10/2	3.0	39.6
Sustained recovery lost speed due to continuing lack of liquidity.								
Venezuela	IBC	6487.00	6517.83	6678.17	7880.82 23/3	6079.13 4/5	na	na
Zimbabwe	ZSE Industrial	6765.10	6703.72	6774.21	8769.71 31/3	6598.20 12/5	na	na
Industrials firmer in response to good results from Meikles and Zimsun.								
WORLD	FT/S&P World(§)	(c)	281.44	269.79	289.87 15/4	243.89 9/1	na	na
	MS Capital Intl§	1089.0*	1082.5	1071.8	1094.80 15/4	999.59 12/1	na	na
CROSS-BORDER	DJ Stoxx 50	(c)	[illegible]	3380.82‡	3386.00 6/4	2574.81 12/1		
	DJ Euro Stx 50	(c)	3352.25	3313.72	3352.25 20/5	2466.81 12/1		
	FTSE E300	1226.75	1225.22	1217.34	1263.63 6/4	971.53 12/1		
	FTSE E100	[illegible]	2809.95	2794.33	2826.66 6/4	[illegible] 12/1	na	na
	HSBC JC Drgn	(c)	218.69	218.48	273.91 26/3	189.25 12/1	na	na
	ING Barngs Emrg	144.02	143.47	142.33	180.09 23/4	126.19 12/1	na	na

** Sat May 16. Taiwan Weighted Price 8346.16; Korea Comp Ex 362.32. §§ Montreal. ◆ Toronto. (c) Closed. (u) Unavailable. ‡ XETRA-DAX after-hours index: May 21: (c). † Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ◆ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation. ✣ Yields and P/E ratios are based on Datastream Total Market Indices. ⊕ Worldscope.

THE NASDAQ STOCK MARKET

4 pm close May 21

Stock	Div.	P/ E	Vol 100s	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

THE NASDAQ STOCK MARKET

Stock	Div.	P/ E	Vol 100s	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMEX PRICES

4 pm close May 21

Stock	Div.	P/ E	Vol 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EASDAQ

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Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$5.125		81100	7.125	2.25	Gruppo Formula	ITL50200	[illegible]	[illegible]	65650	14250
Algol✤	ITL36500	-1500	23920	38000	12450	Innogenetics	US$65.125		106833	76.5	9.875
Artwork Systems	US$19.75	+0.875	148513	21.625	5.875	Integr. Surg. Syst.✤	DEM11.6		0	12.5	6.8
Chemunex✤	FFr116	60750	18.5	9		Lernout & Hauspie	US$49.375	+0.25	159569	103.5	25
City Bird Holding	US$9.625	+0.3125	7800	10.3125	6.8125	Memens	US$18.0625	+0.1875	24860	30.3125	7.1875
Dobonar Holdings	GBP2.35	-0.1	13850	7.15	1.7	Mercer Intl✤	US$10.875		0	12.875	8
Dr Solomon's	US$28.875	-0.5	33813	46.25	20.375	NTL	US$47.25	-0.125	100	48.125	20.5
EDAP TMS	US$5.5	-0.0625	1150	9.125	5.0625	Opticon Int'l	US$49.5	+4.75	177498	68.25	10.375
ESAT Telecom	US$32.9375	-0.4375	3109	37.1875	13.25	PolyTech✤	US$5.875	-0.125	640	7.625	2.125
Espace Prod. Intl.	FFr104	+4.25	8250	117	88.83	Royal Olympic	US$14.625	-0.125	1000	18.5	13.625
Esprit Telecom	US$17.25	+0.125	1055	19.25	4.875	Schoeller-Bleckmann✤	Sch1780	-15	1050	1800	900
Global TeleSystems	US$35.5	-2	5017	49.125	24.5	Topcall Int'l✤	Sch16500	+200	448	16500	3065
Xenger Telecom	US$25.125	-0.375	17930	27.25	13.5	Turbodyne Technol✤	US$9.85	-0.4	15465	11.93	2.1

Prices for 20/5/98. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at: http://www.easdaq.be EASDAQ offices are located in Brussels (Tel: 32-2 / 227 65 20) and in London (Tel: 44-171 / 489 8890). Annual/interim reports can be obtained for companies with a ✤ displayed in this box. For further details please see London Share Service pages. For further details please telephone: Annual Reports Service +44 181 770 0770

STOCK MARKETS

Dow pauses to consolidate after rally

AMERICAS

US shares reversed the previous day's strong gains, moving modestly lower in early trading, *writes John Labate in New York.*

By early afternoon, the Dow Jones Industrial Average was down 21.42 to 9,150.06 while the Standard & Poor's 500 index lost 1.26 to 1,117.80. The tech sector was equally uninspired, sending the Nasdaq composite down 4.97 to 1,826.78.

"Clearly we are in a wait-and-see attitude," said Bill Meehan, chief market analyst at Cantor Fitzgerald in Connecticut.

International uncertainties tended to take centre stage following the resignation of President Suharto of Indonesia. On the domestic front, analysts were mostly awaiting the latest minutes of the Federal Reserve's open market committee.

Cyclical shares led the Dow lower. Allied Signal fell $1¼ to $43 while Union Carbide lost 1\frac{1}{16}$ to 53\frac{1}{16}$.

Auto stocks were mixed. Ford Motor climbed 1\frac{11}{16}$ to 51\frac{5}{16}$ after the company told analysts that earnings for the second quarter would be stronger than expectations.

Cigarette stocks also broke the downward trend after the US Senate rejected a proposed three-year $1.50 price rise for cigarettes. Philip Morris rose $1¼ to $37¼ while RJR Nabisco gained $$\frac{11}{16}$ to $28.

In the internet sector shares of Excite rose 1\frac{11}{16}$ to $62 after the company rejected a takeover bid by Zapata, a diversified food company. Zapata lost more than 5 per cent or $⅝ to $10⅝.

Semiconductor stocks continued to weaken, sending the Philadelphia stock exchange's semiconductor index down by more than one per cent to 280.54.

In the small-cap sector, the Russell 2000 index lost less than one point to 467.95.

TORONTO moved higher, helped by a rally for Seagram, where sentiment, cool in recent sessions, swung back behind the idea of a takeover of PolyGram of the Netherlands.

Seagram, which has had its name variously linked with the Dutch music giant in recent weeks, jumped C$3.05 to C$62.40. A revised offer from MetroNet lifted Scintrex C$1.25 to C$14.00. At noon, the 300 composite index was up 6.33 at 7,701.73.

SAO PAULO slipped in early trading with the Bovespa index off 64 at 10,344. Brokers said volumes were thin with most investors shadowing the directionless trend on Wall Street.

MEXICO CITY lost ground as sentiment followed the uncertainty on Wall Street. But by midsession, the IPC index had rallied to show a gain of 21.94 at 4,629.38.

Bank shares, hit recently by worries about a money laundering scandal, rallied modestly.

Golds lead Jo'burg higher

SOUTH AFRICA

Johannesburg rallied, with the all-share index gaining 0.52 per cent to 8,127.4, helped by Wall Street, a stronger rand and a rally for the local bond market.

Boosted by a better day for bullion, golds were the day's best performing sector, adding 1.9 per cent to 1,048.

Among golds, Anglo climbed R5 to R279. Dealers said there was a large transaction in the shares.

Suharto's resignation lifts bourses

ASIA PACIFIC

Asia-Pacific stock markets moved swiftly higher on news of President Suharto's resignation in Indonesia. Many gains, however, were pared as investors had second thoughts about Mr Suharto's successor.

Vice-president Jusuf Habibie, a former research and technology minister, is widely distrusted by the markets, not least for his penchant for expensive projects.

The **JAKARTA** market was closed for a holiday so its initial verdict on the succession will come today. But on the currency markets, the rupiah, liked other regional currencies, was little changed in Singapore.

Against the trend, **SEOUL** was sent steeply lower on worries about a shrinking economy.

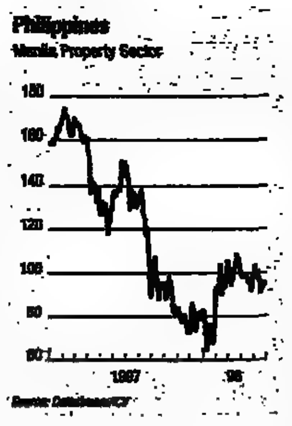
The market had pushed higher from the opening bell, rising to 375.46 on the composite index, but late news of a 3.8 per cent contraction in first-quarter GDP sent the bears into overdrive. The benchmark index closed off 6.87 or 1.9 per cent at a low for the session of 362.30 with investor sentiment showing signs of severe strain.

The weak GDP data, the worst figures since the final quarter of 1980, followed Wednesday's news of substantial lay-offs at Hyundai Motor, one of South Korea's largest employers.

TOKYO jumped more than 1 per cent after news of Mr Suharto's resignation calmed unease about the situation in Indonesia, *writes Gillian Tett in Tokyo.*

The Nikkei 225 closed at 15,845.25, up 192.30 or 1.23 per cent – the fourth successive daily rise.

During the morning the index surged to a high of 15,972.88 after the news about Mr Suharto hit the markets. However, it failed to breach the psychologically important 16,000 level and fell back on concerns about the domestic economy. In particular, sentiment was weighed down by new signals that the Bank of Japan was becoming more pessimistic about the outlook.



The broader-based Topix index rose 6.67 or 0.54 per cent to 1,232.29. The Osaka index ended at 16,611.59, up 151.50 or 0.9 per cent.

The volatility encouraged short-term dealers into the market. This helped push volume on the TSE up to an estimated 470m shares, from Wednesday's 430m.

Winners outpaced losers 841 to 315, with gainers led by transportation equipment, shipbuilding, sea transport, iron and steel, and ceramics. The major decliners were air transport, gas, rubber and leasing.

MANILA pushed higher with a cut in the banks' statutory reserve requirement sending property and bank stocks sharply higher. The composite index rose 48.32 or 2.3 per cent to 2,148.61.

Ayala Land rose 25 centavos to 14.00 pesos, helping to lift the overall property index by 3.4 per cent. "The calmer situation in Indonesia was a factor but the main drive was the reserve cut which sparked hopes for lower interest rates," said one broker.

KUALA LUMPUR surged 4.3 per cent, led by sharply higher financial issues, on news of action to clean up the Malaysian-banking sector. The composite index rose 24.43 to 593.62 on hopes that the formation of a special agency, which will take over the non-performing loans and assets of banks, could speed up the economy's recovery.

The financial sector recorded a 8.4 per cent rise as foreign money took part in the big volume rally. Top bank Maybank jumped 70 cents to M$11.10.

SINGAPORE rose 45.57 or 3.6 per cent to 1,319.65 on the Straits Times index. More than 434.5m shares changed hands in active trading. Singapore Press gained 60 cents to S$14.60 to account for 10 points of the improvement in the index.

Milan ascends on relief over Asia

EUROPE

Shares in **MILAN** moved higher late in the session but in very thin trade with many other European bourses closed for the Ascension day holiday.

The real-time Mibtel index rose 378 or 1.6 per cent to 24,158 on market relief over President Suharto's resignation in Indonesia and news that the Italian justice minister had withdrawn his threat to resign.

Ifil, the Agnelli family's industrial holding company, climbed L469 to L9,502 after announcing a capital increase and better-than-expected 1997 results.

Mediobanca rose L665 to L24,095 and San Paulo was L344 higher at L28,716 on news that the two banks said they would collaborate on the Ifil capital increase.

MADRID reversed two days of gains with a decline of 0.95 to 879.62 on the general index, extending the shortfall on the all-time peak of early April to 7 per cent.

Brokers said volume was minimal given holidays across much of Europe. Endesa, a strong market lately as the group privatisation process gathers pace, ran into profit-taking, dipping Pta45 to Pta3,670.

WARSAW jumped 3.7 per cent in response to Wednesday's cut in the Lombard and discount rates. The Wig index rose 616.0 to 17,109.9 with rising shares running ahead of fallers by 29 to 9.

ATHENS was higher as industrials outweighed weakness in banks, suffering adverse sentiment after the failure of talks to end strike action at Ionian Bank. The general index rose 26.97 to 2573.98.

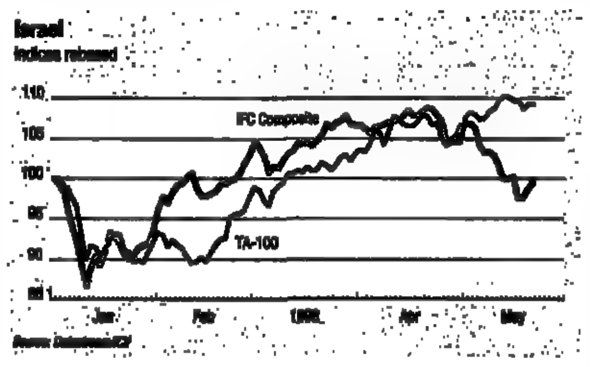
Written and edited by Michael Morgan, Jeffrey Brown, Peter Hall and Paul Gregan

EMERGING MARKET FOCUS

Tel Aviv rises above peace deadlock

One way or another, it seems the Tel Aviv stock exchange can do no wrong.

The benchmark TA-100 index hit a new record of 327.44 yesterday and has risen 6.5 per cent since the beginning of the month, up more than 9 per cent since the start of 1998 and 20 per cent from its February low. And while there have been some profits taken in recent days, traders remain generally optimistic.



Why should the market be so buoyant when the US is hinting it might end its mediating role between Israel and the Palestinians if the 14-month deadlock in peace talks continues?

And why did the markets fail to react when Benjamin Netanyahu, Israeli prime minister, hit out at the European Union for plans to go ahead with a recommendation to exclude goods manufactured in the occupied territories from a preferential trade agreement?

The answer, for the moment at least, is that investors at home and abroad are more interested in the economic fundamentals than the vagaries of the peace process. "The fundamentals look good now," said Daniella Finn, international department head at Batucha-Ilanot Securities.

The Bank of Israel reckons inflation will dip to between 5 per cent and 5.5 per cent this year, compared with 9 per cent last year. Interest rates continue to fall too. The overnight lending rate is 11.9 per cent.

Declining rates could woo small investors from government bonds and short-term savings. Yields on bonds with a one-year or two-year maturity are about 6.7 per cent. Solid ISG Research believes continuing interest rate reductions will make equities more attractive than bonds.

Turnover at the stock exchange, hovering this week at about Shk222m a day, could receive a substantial boost if some of the Shk140bn tied up in short-term savings and bonds is shifted.

The other good news is that the budget appears to be under control although Mr Netanayhu often promises his coalition partners more expenditure to maintain their support.

The government wants to try to keep the budget deficit at the 2.4 per cent of gross domestic product achieved last year. This may be difficult to achieve. GDP for the first quarter, on an annualised basis, grew only 1.2 per cent, while unemployment could reach 9 per cent by the end of the year.

The equity market is attractive compared with its peers. A report by Robert Fleming Securities estimates that Israeli equities trade on a prospective 1998 price/earnings ratio of 13.9, compared with Portugal's 27.5 and Greece's 20.4.

But more could be done to increase market liquidity. The market continues to be driven by a handful of top stocks, including Bezeq, the state-controlled telecoms company, Israel Chemicals and the banks. Some analysts believe it is time the 100 or so Israeli stocks listed on Nasdaq be listed simultaneously in Tel Aviv.

"It would increase liquidity and boost the markets," said Ms Finn. But that is unlikely to happen until the Securities Authority lifts its objections and opens TASE to much more competition.

Judy Dempsey

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Prices for Trading on [illegible] | Pool Prices for Trading on [illegible]

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use-of-system price £/MWh
0030	14.68	15.68	15.68	0.00
0100	14.33	15.68	15.68	0.00
0130	14.33	15.70	15.70	0.00
0200	14.33	16.61	16.42	1.15
0230	14.33	16.61	16.42	1.15
0300	14.33	16.61	16.42	1.15
0330	14.33	16.61	16.42	1.15
0400	14.33	16.61	16.42	1.15
0430	14.33	16.61	16.42	1.15
0500	10.88	16.22	16.13	1.15
0530	10.58	15.25	15.25	0.00
0600	10.58	15.40	15.40	0.00
0630	10.60	15.25	15.25	0.00
0700	10.70	15.60	15.60	0.00
0730	14.60	18.48	18.50	1.15
0800	14.69	23.62	24.06	1.15
0830	20.97	33.57	34.32	1.15
0900	21.31	34.57	35.44	1.15
0930	25.91	35.05	35.66	1.15
1000	26.19	35.18	36.01	1.15
1030	26.28	35.23	36.10	1.15
1100	25.08	35.28	36.15	1.15
1130	25.23	35.52	36.45	1.15
1200	25.71	35.81	36.18	1.15
1230	40.44	27.25	27.91	1.15
1300	39.94	23.68	24.09	1.15
1330	24.14	22.78	22.90	1.15
1400	20.89	33.18	33.21	1.15
1430	19.60	66.45	66.45	1.15
1500	19.77	66.37	66.35	1.15
1530	18.17	21.06	21.01	1.15
1600	15.75	20.80	20.74	1.15
1630	15.75	20.81	20.75	1.15
1700	15.76	20.82	20.76	1.15
1730	15.34	20.78	20.72	1.15
1800	15.73	32.18	32.09	1.15
1830	14.80	32.14	32.05	1.15
1900	15.25	32.13	32.05	1.15
1930	10.69	32.13	32.05	1.15
2000	10.70	32.13	32.05	1.15
2030	10.75	15.65	15.69	0.00
2100	14.79	33.65	33.57	1.15
2130	30.52	33.66	33.57	1.15
2200	30.52	33.68	33.67	1.15
2230	25.78	15.50	15.50	0.00
2300	14.79	15.50	15.50	0.00
2330	14.79	15.50	15.50	0.00
2400	14.08	15.40	15.40	0.00

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. [illegible] ©Energy Settlements and Information Services Limited

Chicago

Although the Midwest is experiencing an economic renaissance, its largest service centre may be facing a new set of challenges, writes **Nikki Tait**

A city reaping the good times

Images of Chicago
(left to right, from top to bottom) O'Hare flight control; tenant patrol cap at DeSable High School; the Bronzeville neighbourhood is being restored; Chicago river dyed green for St Patrick's Day; pupils leave Jenner School in a violent area; Chicago Mayor Richard Daley applauds President Clinton; City Hall; Chicago Bulls' Dennis Rodman; ready for the start of a sailboat race; trader William S. Katz celebrates his 90th birthday at Chicago Mercantile Exchange; McCormick Place, North America's largest convention centre; Eric Kramer, Chicago Bears' quarterback.
Pictures: AP and Todd Rosenberg

Ceres, goddess of plenty, presides over Chicago from atop one of the city's more elegant skyscrapers. The 30ft, stainless steel statue, by John Storrs, was designed almost 70 years ago. But in the closing stages of the 1990s, it also seems an appropriate symbol.

Chicago, a fractured, "blue-collar" city for much of the century, is reaping the good times. The local economy, which acts as the biggest service centre for the Midwest and reflects its fortunes, is strong. Unemployment, although slightly higher than in the region generally at just over 4 per cent, is at historically low levels. Property values, both residential and commercial, have surged, and a good part of the surplus stock which hung over Chicago at the beginning of the decade has been absorbed. Speculative building may be back on the agenda.

The Asian crisis has also been weathered with relatively little damage to local businesses overall. Regional exports, meanwhile, have benefited from the North American Free Trade Agreement. Canada and Mexico are two of the three top export markets for businesses in the Chicago metropolitan area, taking almost $6bn worth of goods in 1996. In general, economists worry more about the extent to which Chicago and its surrounding region may be bumping up against capacity constraints particularly in labour market terms than international problems. For example, the Illinois Coalition, set up to promote Chicago's technology base, suggests that about 30,000 IT positions in Illinois, Chicago's home state, may be unfilled.

This prolonged economic renaissance is also having a visible impact on the city which, despite its image as a manufacturing centre, has long housed graceful architecture and some monumental civic edifices.

Today, the city centre is flush with new restaurants, now spilling out to the west in the former "Skid Row". Navy Pier, the downtown promenade which was revamped in the early 1990s, bustles with activity. There are even grand plans to revitalise the Chicago River. Many Chicagoans, remembering the waterway's not so distant reputation as the town sewer, still blink at the suggestion. For the moment, at least, eating fish caught there is not advised.

"Boom town" ran a recent front-page headline on one local paper. This may be an overstatement, but it does reflect local confidence. Even the sports scene mirrors the upbeat tempo. Michael Jordan and the Chicago Bulls look good for another National Basketball Association title, and the lovable, yet usually losing, Chicago Cubs baseball team has found itself with a star rookie pitcher.

In much of this, of course, Chicago is not markedly different from many other cities in the US. But Chicago's scale and its role as the pre-eminent Midwest service centre, housing everything from big banks to derivatives markets, does mean that the city has had further to travel to reach this point. Recessionary periods in the 1970s and 1980s hit the Midwest hard, and the loss of manufacturing was devastating.

The population of Chicago also shrank dramatically, by about 25 per cent between 1950 and the latest 1996 census, although with compensating growth in the 'burbs.

But, despite current prosperity it would be a mistake to think that legacy is completely buried. Those 1996 census figures, for example, suggested that the city's population was still declining, albeit at a much-reduced rate, although Richard Daley, Chicago's mayor, now dismisses these numbers as historic. "Just look at the building permits... it's way out of date. There's net growth, sure," he says.

Chicago's once dire education system has been subject to a huge overhaul and much subsequent praise, but there is a lot of ground to make up. Outside the main city centre, revitalisation in some lower-income neighbourhoods is only just getting under way. This presents a new set of challenges, notably, how to avoid sacrificing local character and affordable housing on the altar of gentrification and commercial developers' profits.

Finally, Chicago, once notorious for the degree of racial segregation in its neighbourhoods, could hardly be called a fully integrated city. The number of prominent African-American business people is much smaller than in, say, Detroit. Truly mixed residential areas can be counted on the fingers of one hand.

Looking ahead, new challenges also seem to be developing as the city ponders its role in a rapidly-consolidating, increasingly global business environment.

Certainly, the wave of merger mania sweeping through US industry has not treated Chicago kindly. In recent weeks, it has seen Ameritech, the big regional telephone company which services the Midwest, agree to a takeover by Texas-based SBC. All the big local banking groups have now been acquired by larger institutions from outside the immediate area, although Banc One, the Ohio-based buyer of First Chicago, will make the Windy City its official headquarters.

A similar story applies in the manufacturing/service sector. Inland Steel, once a local manufacturing stalwart, is being snapped up by Europe's Ispat. Culligan has succumbed to US Filter. US Robotics, a big Chicago technology success story, was bought out last year by West Coast-based 3Com. Waste Management, which revolutionised the nation's waste services industry in the 1970s and 1980s, has fallen to Texas-based USA Waste. Bid rumours have even surrounded Motorola, the local communications giant.

Of course, a few Chicago-based companies such as Aon, the insurance broking group, or IMC Global, the chemicals business, have been on the acquiring end of this merger wave. Moreover, the scale of headquarters losses should not be exaggerated: Chicago still houses a formidable array of big corporations, including Amoco, Abbott Laboratories, McDonald's, and Sara Lee.

Mayor Daley is inclined to dismiss these concerns. He points to the fact that some foreign acquirers, such as the Dutch ABN-Amro banking group, have subsequently made Chicago their North American base, and that many European cities have flourished by housing regional offices of multinational companies.

Others put their faith in Chicago's bulk – it services a region whose gross domestic product is only slightly smaller than that of France – and its logistical advantages remain an important asset even in a world switching to electronic commerce. "This is not Peoria. There's a great air transport system and people know Chicago," says Christopher Hill, commissioner for planning and development.

Nevertheless, some in the business community have worried sufficiently about the level of investment inflows to set up World Business Chicago (WBC), an initiative to drive foreign investment.

In a report, WBC noted that Chicago was only fifth in exports among US metropolitan areas; ninth in international tourism; and that, in 1994, it ranked only seventh in attracting new foreign investment. Between 1990 and 1993, 36 new foreign-owned facilities were established in Illinois, Chicago's home state, compared with 222 in the 1980s, it calculated.

One explanation may lie in the increasingly successful marketing efforts by other large US cities, the likes of Atlanta or Houston, say. Cost may also be a factor: Chicago tends to outpace most of these smaller cities, although it remains substantially cheaper than New York. And investment intermediaries are cited by WBC as blaming the "strained relations between Chicago and its suburbs" (often of different political hues) and "lack of co-ordination among business attraction groups".

To many Chicagoans, who tend to be extremely loyal to their home town, this may not be a frontline concern. Decent schools, more green space, and good recreational facilities, as city officials suggest, are probably more immediate worries. Nevertheless, for the long-term prosperity of the city, it seems an issue worthy of consideration.

ECONOMY • by Nikki Tait

Smiles in a bankers' heaven

The Midwest has become one of the strongest growth areas in the US

Chicago may not hustle like New York, or effervesce like California. But even a casual visitor to the city would find it hard not to notice that the good times are rolling.

Restaurants are full; properties and vacant lots in the city centre are being redeveloped; the upmarket Michigan Avenue shops hum with activity.

Meanwhile, a short drive from the centre of Chicago towards Indiana or downstate Illinois dispels any impression that manufacturing activity has fled, wholesale, to cheaper labour markets. As juggernauts rumble relentless by, one is still presented with a formidable vista of industrial muscle – certainly dotted by vacant properties, but surviving.

It is a long time since Windy City had it this good. As the biggest service centre for the Midwest/Plains states, its fate has always been tied to the immediate regional economy. That economy has, for most of this century, been dominated by manufacturing with industries such as automotive products and steel playing a particularly significant role. Agriculture, critical to states such as Iowa and Nebraska, also bears an important influence.

The tribulations of the Midwest's manufacturing sector in the 1970s and 1980s have been well-documented. The downturn effectively began in the middle of this century, as the region's share of manufacturing activity began to decline in favour of cheaper markets to the south and overseas.

But it was greatly exacerbated during the recessions which dogged the US over the next 40 years. During the 1979-83 recession, for example, the Midwest is reckoned to have lost more than one-fifth of its manufacturing labour force – a retrenchment made all the more painful by a simultaneous slump in the agricultural sector.

Only in the late-1980s did this situation begin to reverse, as evidence of the now much-vaunted "rustbelt revival" started to emerge. The internal restructuring of local manufacturing businesses, the drive towards new export markets, the introduction of more flexible labour arrangements, and the impact of technology change have all been credited for the turnround.

Whatever the explanation, the net result has been impressive: the Midwest manufacturing index, compiled by the local Chicago Federal Reserve Bank, has risen fairly consistently from late 1990 onwards. The gain over the past six and a half years now stands at more than 45 per cent.

This sharp improvement in the manufacturing sector's fortunes has fed through to service industries, helping to make Midwest one of the strongest growth areas in the US during the recent, extended economic up-cycle.

The region's growth rate last year was 3.8 per cent, while unemployment fell to 4.2 per cent. By 1996, BankAmerica calculates, the gross domestic product of the Midwest – defined as the core eight-state area – stood at $1,406bn, slightly larger than that of the UK or Italy and only slightly less than that of France.

Chicago itself – where the economy is dominated by business services, financial services, and a mixture of manufacturing activity – has shared in this trend. Unemployment is low, although, at around 4.5 per cent, still above that of the surrounding region generally (where the figure has now fallen below 4 per cent).

Some projections suggest that the local economy could grow by as much as 3.5 per cent this year. That growth is being boosted by a strong housing market, which in turn is fueling consumer demand.

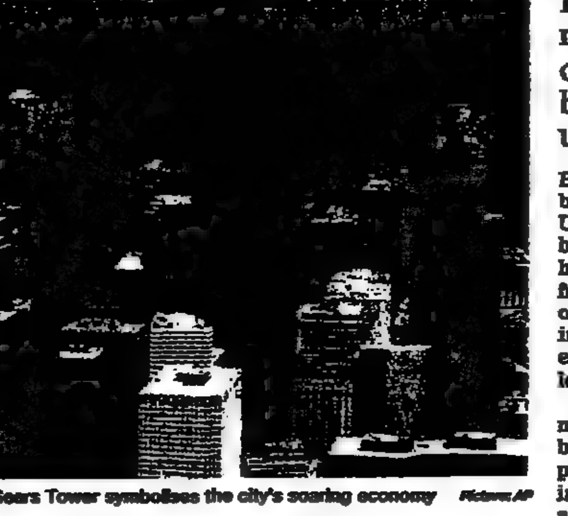
Moreover, some economists think that a degree of stability might be entering the Chicago economy. Last month, when Moody's upgraded its debt rating for the city, it suggested that recent corporate restructurings might have made the local environment less sensitive to ebbs and flows in the business cycle. "We believe this is evidenced by the less severe impact of the early 1990s downturn, as compared to the 1980s recession," the New York-based rating agency commented.

All this leaves the local financial community smiling broadly. As Harrison Tempest, chief executive of ABN Amro North America, which through its ownership of the LaSalle National Corporation is one of the three big banking players in Chicago, remarks: "Someone described this as the Goldilocks economy – it's bankers' heaven."

That said, two issues complicate the generally sunny picture. The first is the issue of labour shortages. These have become severe in parts of the Midwest, and in certain sectors – ranging from information technology to agriculture. Some economists are concerned that this is dampening regional growth; employment in the Midwest rose by 1.4 per cent last year, down from 1.5 per cent in 1996 and well below the 2.2 per cent growth seen in the US generally.

"It is certainly true that labour shortages are hindering the plans of some companies," says Richard Kaglic, economist with the Federal Reserve in Chicago.

This has prompted several responses. At the corporate level, for example, companies are increasingly inclined to take pro-active steps to ensure a steady supply of appropriate employees – and not just at highly-skilled levels. For example, UPS, the big delivery company which has a large hub in Chicago, runs classrooms for high school students willing to work, part-time, in its "twilight" sorting shifts.



The Sears Tower symbolises the city's soaring economy Picture AP

The effect on wages, meanwhile, is still unclear. Mr Kaglic, for example, acknowledges that companies are paying "targeted" wage increases, such as special signing-on bonuses, but thinks, for the moment, general wage inflation is "not really a concern".

Nevertheless, there has been very little evidence of people moving in from other regions of the US, suggesting that the pressures will continue in the months ahead. Economists at First Chicago have a succinct explanation for this: "Why aren't people migrating to the Midwest in droves? Because economic conditions on the coasts have improved and the weather here in January is lousy", they commented in a recent newsletter.

The second problem is more specific to Chicago itself, and relates to drift in manufacturing jobs from the city itself, partly to other regions but also to the outlying suburbs.

According to the Federal Reserve, 85 per cent of manufacturing jobs in the broad Chicagoland area were in Cook County (including the city itself) in 1969; by 1995, this figure had fallen to 67 per cent. Recent Illinois Department of Employment figures confirm the same trend, and pinpoint the extent to which this outflow has really been a city problem (at least, in recent years).

Between 1990 and 1996, the data suggest, Chicago (including O'Hare) lost one in five manufacturing jobs, taking its total down from 216,190 to 166,532. By contrast, suburban Cook County actually added jobs, at 261,333 (253,980). Most of the surrounding "collar" counties, that make up the rest of the broad Chicagoland area, also saw manufacturing employment increase slightly over the same period.

This trend can be explained by a number of factors. Mr Kaglic, for example, cites the expansion of highway systems, the cheaper cost of suburban land, companies' need for space, and so on. And it should be stressed that the city has also added offsetting jobs in the service sectors.

But the net result still presents a highly-visible problem for Chicago, particularly on the south and west sides of the city where manufacturing activity had historically tended to concentrate.

Today, there are still large tranches of vacant industrial property, such as the huge USX steelworks site near South Shore, and the former warehouses and meat-packing works which cluster around the near South Side and Bridgeport areas. Slowly, some of this space is being re-used as public land, or housing – but it is an uphill process.

BANKS • by Nikki Tait

State catches up with consolidation

Latest wave of mergers leave only two big banking groups unaffected

Banking consolidation has been a national trend in the US in recent weeks as multi-billion dollar mergers hit the headlines with near-daily frequency. Chicago, on the other hand, presents an interesting example of the effects of this process at the local level.

Since the start of 1998, a majority of the city's big banks – or their parent companies – have been involved in some form of merger activity. The first change came in January, when Royal Bank of Canada announced plans for a merger with Bank of Montreal, owner of the Chicago-based Harris Trust and Saving Bank, a sizeable commercial, industrial and individual banking business.

In mid-April, this was followed by the announcements that BankAmerica and NationsBank planned to merge, as did First Chicago NBD and Ohio-based Banc One. Both transactions had big local repercussions. BankAmerica has been the owner of the former Continental Bank since 1994 (now known as BankAmerica Illinois), which is essentially a business bank targeting corporations, institutions and high net-worth individuals.

First Chicago, meanwhile, is the biggest local banking operator, with about 160 branches in Illinois, a further 208 branches in Indiana, and almost 300 in Michigan, thanks to its earlier merger with National Bank of Detroit.

Over the past few years, it had been viewed as the only truly "Chicago" bank, and an important pillar of the financial community. Its board has been stocked with local businessmen – from Sara Lee's John Bryan to Amoco's Bill Lowrie – and it counts many local companies, big and small, among its customers.

The latest wave of mergers left only two big concerns unaffected: ABN-Amro North America, which owns the local LaSalle banking group, and Northern Trust, still independent but heavily weighted towards banking and trust services.

So what does the latest consolidation really mean for Chicago? Plainly, the most significant deal in local terms is the First Chicago/Banc One tie-up. Although many details of this have yet to be resolved, the two companies have made clear that the merged organisation, with $230bn in combined assets and the fifth largest bank in the US, will have its headquarters in Chicago.

However, the First Chicago name will vanish, and Banc One's John McCoy will be its president and chief executive. While the merged entity is being described as a "Midwest powerhouse", it will also be a more broadly-based organisation. It will take in branches in seven southern/south-west states, from Florida to Arizona, for example, and be the nation's second largest credit card issuer after Citicorp.

Back in the Midwest, the banks acknowledge that branches will overlap in Indiana, but have declined to say how many outlets or jobs will go. In Chicago itself, this issue is not viewed as significant: Banc One had struggled to develop a foothold and its presence is small.

Mr McCoy, meanwhile, has suggested that the number of personnel moving from Columbus to Chicago will be relatively modest, at perhaps 50. First Chicago also says that its planned operations centre, to be built in Chicago's South Loop and set to employ about 1,200 people, is likely to go ahead.

In fact, according to Verne Istock, First Chicago's current chief executive, the biggest issue being faced by the integration teams is likely to be technology, as the two banks' systems are co-ordinated. Integration plans are going to schedule, he says, and further details should be in place by July. The biggest change customers are likely to notice, says First Chicago, is that of the name.

The tendency to play down the latest merger wave's impact is common across the local banking community. Harrison Tempest, chief executive of ABN-Amro North America, sums up the prevailing opinion by saying that: "A lot's changed but a lot's stayed the same."

If the larger Canadian grouping decides to increase its retail presence in the US, it will do so outside the Chicago market, he argues. Meanwhile, BankAmerica Illinois is already a strong competitor in the corporate market, while First Chicago simply retains its number one spot in the retail banking market overall.

True, a culture change might emerge there as Banc One executives make their fairly aggressive approach felt. But, in the immediate future, both banks are likely to have their hands full dealing with the integration. First Chicago will also be the biggest bank in the Banc One network, and so probably retain considerable influence. "A merger of second tier banks would have had more impact because it would have meant new competitors," he comments.

Bill Goodyear, who runs BankAmerica's Global Private Bank, now based out of Chicago agrees. "The mergers are simply an extrapolation of the consolidation forces which are at work – it's good for customers to have banks with global reach".

The low-key approach, however, does not extend to all community groups. They have been pressurising the banks to increase their commitments under the Community Reinvestment Act, which requires them to direct funds to poorer areas.

Part of this initiative has been driven by the Chicago-based Rainbow/Push coalition, headed by the Reverend Jesse Jackson.

The banks, aware of the political process being played out and the need to secure regulatory approvals, have tended to be extremely conciliatory: "Our commitment to our communities . . . has increased substantially since the First Chicago-NBD merger," Sherman Goldberg, First Chicago's general counsel told the House Banking Committee in Washington DC last month.

"In the Chicago area alone, we have invested more than $1.3bn in low and moderate income neighbourhoods, businesses and families in the first 30 months of a six-year, $2bn commitment."

Meanwhile, Chicagoans are left to wonder whether the absence of a "real" Chicago bank – the relocation of Banc One's headquarters notwithstanding – matters. At a practical level, possibly not. Nevertheless, a good deal of belated wrath has been directed at Illinois' state banking regulations which, until recently, effectively prevented local banks from developing branch networks. The aim of the regulations was to protect downstate banks from being acquired by the larger Chicago-based organisations.

In reality, however, it tended to constrain everyone's growth, and, arguably, led to some less-than-propitious out of state lending.

The years of regulation are arguably one of the chief reasons why Chicago's banks have been on the receiving end of takeover offers, rather than making them. Consolidation has now caught up with the state regardless.

TECHNOLOGY • by Nikki Tait

Out on the Silicon Prairie

Illinois ranks fourth in the country in terms of high-tech employment

Talk to a West Coast technology specialist, and the term "Silicon Prairie" is unlikely to register.

Yet, in common with many cities worldwide, Chicago would like to sell itself as a high-tech centre, partly because of the growth opportunities which such businesses offer and partly because it might finally bury the city's image as the one-time home of stockyards and belching chimney stacks.

Advocates of the Silicon Prairie concept point to the Windy City's credentials. For a start, the area already houses some big "high-tech" operators.

Motorola, the wireless communications pioneer whose products range from semiconductors to cellular phones, is the largest and probably best known, headquartered at Schaumburg in the city's western suburbs.

US Robotics, started by Casey Cowell, a University of Chicago graduate in the 1970s, is another home-grown success story.

It became the second largest supplier of high-end modems before being acquired for about $6bn by 3Com in 1997.

Smaller, but still credible companies, include Platinum Technology, the software house, Spyglass, the web browser business, Tellabs, the voice and data transmission company, and Zebra Technologies, which specialises in the automatic identification and bar-coding business.

Branch out beyond information technology, to fields such as medical products and agricultural genomics, and the list lengthens.

According to the Illinois Coalition, a non-profit partnership set up to bolster the local technology scene, Illinois ranked fourth in terms of "high-tech" employment – after California, Texas and New York – in 1996.

Using US Labor Department data, the coalition calculates that technology-related businesses provided about 370,000 jobs, slightly ahead of Massachusetts or New Jersey, although still a pale shadow of California's 1.2bn.

Moreover, in the Chicago area itself, technology-related businesses are on the rise, although this may partly reflect the general upswing in the local economy.

The coalition calculates that the number of information technology-related companies expanded by about one-third, from just over 4,000 to 5,300-plus, between 1992 and 1996. At the last count, Chicago's IT companies were employing about 152,500 people and generating an $8bn payroll.

Another, potential strength relates to the diversity of industry in and around Chicago and the sheer number of large companies with key operations in the region, ranging from the big financial services firms and insurance groups through to health care providers. That, in turn, provides an immediately accessible IT customer base.

Add to that Chicago's central location and relatively good air transport links – "O'Hare means we can get anywhere in one stop" says one enthusiast – and the quality of nearby academic and research establishments.

"It's not quite Boston but it's equally, if not stronger, than Silicon Valley," says Doug Colbeth, chief executive of Spyglass, whose company's origins lay in work done by the National Center for Supercomputing Applications at the University of Illinois.

But, despite all these arguments, even those involved with local high-tech businesses admit that "Silicon Prairie" has its problems.

For a start there is the question of venture capital. This still tends to emanate from outside the region.

"You could count on the fingers of one hand, the people who are genuinely first-stage investors," says Matthew Brown, a lawyer with Katten, Muchin & Zavis, who specialises in the high-tech area and counts Zebra and Palatinum as clients.

Tom Thornton, president of the Illinois Coalition, agrees this can be a difficult area, at least relative to other regions such as Texas or New York which are also aggressively building a high-tech presence.

"Illinois venture investors don't seem to have the same appetite for seed and first-stage investments," he says.

But Mr Thornton also notes that some well-heeled individual investors, of which Chicago has no shortage, have also begun to emerge. This has created a new class of "angels" specialising in local technology situations.

Labour is the other big sticking-point. The shortage of skilled information technology specialists is a nationwide issue in the US, and the Midwest is no exception.

Mr Thornton, for example, reckons that there are about 30,000 unfilled information technology jobs in the Chicago area.

Finally, there is the more intangible "image" problem. Chicagoans themselves seem to have difficulty viewing their city as an intellectually driven cyberspace hub.

After all, its appearance is still more reminiscent of a blue-collar manufacturing centre. This is sometimes attributed to a typically Midwestern approach, conservative and unremittingly pragmatic.

"In Silicon Valley there is the attitude that this is where it's happening," says Mr Thornton. "The image here, which may be representative of the Midwest persona, is more negative."

But Mr Colbert has a simpler explanation: "I just think it has been a terrible marketing job. The governor's office could be a lot more inventive," he says.

Only recently has a proposal to create a "technology district" within the city's south loop area begun to edge forward as planners jealously eye the success of New York's Silicon Alley. And even that leaves Chicago's IT enthusiasts divided.

Some think it would be a useful rallying point. Others point out that many of the larger existing high-tech players operators are already based in leafier outlying suburbs.

FUTURES • by Nikki Tait

Challenge of change

The 1990s have proved to be a testing period for the city's rival exchanges

Anyone calling in on the elegant deco building in the middle of LaSalle Street which houses the Chicago Board of Trade might imagine that all was well with the city's futures industry.

In trading hours the pits are a hive of activity. Traders shout, wallboards flash, there is paper everywhere.

But despite the energetic appearance the late 1990s are proving to be a tough period for established futures markets, in Chicago, home of the US industry, as elsewhere.

Sweeping changes in the financial services industry and the globalisation of trading, coupled with rapid technological advances, are challenging the traditional manner in which business has been conducted.

End-customers are looking for the cheapest means of laying off risk, and exchanges are under pressure to lower members' costs.

For Chicago this is a big issue. Futures markets have been an integral part of the city's economy for more than a century.

The Board of Trade began in 1848, when Chicago was already functioning as a leading grain and agricultural terminal.

The Chicago Mercantile Exchange, the world's third largest exchange after CBOT and the London International Financial Futures and Options Exchange (Liffe), dates back to 1874.

Together these markets, plus their member firms, are reckoned to generate around 110,000 jobs in the city, directly or indirectly. More than $1bn is spent annually on exchange-related goods and services.

But the late 1990s have proved an unsettling period. This is partly because of the competition presented by the growing over-the-counter derivatives market, which is more lightly regulated than the formal exchanges yet also offers risk management tools such as swaps to large sophisticated operators.

A second challenge is presented by technology. Some smaller exchanges, mainly overseas, have demonstrated that costs can be cut and customers won by replacing the traditional pit-based trading method, known as "open outcry", with electronic screen-based systems.

Finally, the relatively stable US economy and shrinking budget deficit have reduced volatility in key interest rate-related products. This is bad news for "locals", the independent traders who provide much of the markets' liquidity.

The exchanges readily acknowledge the need for changes, although the spread of different interests among their members does not make for easy solutions.

In particular, locals worry that their role would be impossible to replicate if a switch were made to screen-based trading during regular daytime hours.

So the exchanges are moving with some delicacy. For example, the CME is calling in external consultants to review a range of issues such as governance and strategic direction.

Both exchanges have also promoted electronic trading systems for after-hours business.

They have brought in new contracts, effectively giving members more business opportunities over which to spread costs.

And they even buried traditional rivaries to agree a common clearing system, which will handle trades from both markets.

But that, in turn, has raised the question of whether Chicago needs two exchanges – or whether, by combining, they could produce one powerhouse.

This suggestion is still usually brushed aside, not least because of the two organisations' very different cultures and years of fierce rivalry. Nevertheless, as the competitive pressures have mounted, the laughter has become a little less loud.

POLITICS • by Nikki Tait

Controversy and character

The local political scene is considerably calmer than in the past

Chicago and politics have always been a rumbustious mix. Past leaders, such as "Big Bill" Thompson, through Richard J. Daley and the Chicago "machine", and on to Harold Washington, the city's first African-American mayor, have variously provided a rare degree of colour, character, controversy and clout.

In reality, today's local political scene is considerably calmer than in the past – although the political currents that swirl beneath the surface are probably every bit as complex. Richard M. Daley – son of the former mayor, and sometimes known locally as "Richie" – is into his third four-year term. Both he, and his brother William, have risen to prominence in the Democratic party, supporting Bill Clinton early in his first presidential campaign in 1992 and then offering support in some critical battles, such as the Nafta "free trade" legislation. William Daley is the US secretary of state for commerce.

Essentially, Chicago represents a Democratic stronghold, amid the conservative rural constituencies of downstate Illinois. In the first Mayor Daley's term of office – which ran from 1955 to 1976 – relations with Springfield, the centre of state politics, were often confrontational. Today, it is more of a cool stand-off although on issues such as airport facilities, views differ sharply.

Jim Edgar, Illinois' governor, has already announced that he will retire this year, setting the stage for a fight between George Ryan, the 64-year-old secretary of state, and Glenn Poshard, who – to the surprise of some – has emerged as the Democratic contender. Mr Poshard, a one-time school teacher and seen as a fairly populist contender, beat his three primary opponents with unusual support from downstate and suburban voters. But he still faces an uphill task. Republicans have held the governor's office for 22 years.

A second closely-watched battle focuses on Senator Carol Moseley-Braun, the first African-American women senator and on the progressive side of the Democratic Party, who has faced her share of controversy over the past five years. She is seeking to hold her Congressional seat against Peter Fitzgerald, whose highly-conservative Republican views are probably an electoral liability but whose personal wealth is formidable.

Back in Chicago, efforts have been made to clean up the city's political image, and counter its apparent propensity to produce corruption scandals – although with little short-term result. Since the 1970s almost two dozen city council members have been embroiled in corruption charges.

No sooner had a new ethics ordinance been passed last year, than Alderman Patrick Huels, who grew up in the same Bridgeport neighbourhood as the Daleys and had risen to become city council floor leader, became embroiled in controversy over loans to a company in which he held an interest. Mr Huels, who said he had done nothing illegal, was forced to resign.

For many Chicagoans, however, this is little more than a familiar backdrop, viewed with a degree of amusement and sometimes astonishment, but rarely alarm.

Chicago politicians, after all, have long liked to boast that Chicago is "the city that works" – a claim which is designed to appeal to the pragmatic nature of its inhabitants, rather than to the higher realms of idealism.

POPULATION • by Nikki Tait

People-pulling problem

City planners are facing the challenge of a shrinking population

Gaze at the solidity of Chicago's architecture – from the stately housing developed in the late-1800s, through the grand boulevards devised by Daniel Burnham, to monumental civic buildings such as Soldier Field – and it is hard to imagine the city shrinking. Yet, in population terms, this has been the case.

The decline began in the 1950s, as the suburbs started to grow rapidly at the expense of the inner city area. This trend was to become more marked in the 1960s and 1970s as migration to the sunbelt states accelerated. It finally became a *cause célèbre* in 1980, when Chicago ceded its rank as America's second largest city to Los Angeles.

Amid a wave of local anguish, and fears of lost federal funding which is partly based on census figures, Jane Byrne, the then mayor, threatened to take the issue to court.

Today, the population decline is less precipitous, and the implications for funding less serious. Nevertheless, latest estimates put Chicago's population in 1996 at 2.72m, about 2.2 per cent below the 1990 figure, and a substantial reduction from the peak of 3.62m registered in 1950.

In part, demographers have attributed Chicago's recent showing to a reduction in immigration. Although the city houses significant Hispanic and Asian populations, it is a relatively weak magnet for Chinese, south-east Asian, and even Mexican newcomers compared with New York or California.

Asian households, for example, still make up only about 2 per cent of total households in the broad metropolitan Chicago region.

There is also some evidence that the suburbs are still attracting families at the city's expense.

The surprising exception to these trends has been the Loop – the central business district and, to a lesser extent, some areas to the immediate north.

Here, the residential population is reckoned to have increased by about 10 per cent between 1990 and 1995. Anecdotal evidence, at least, indicates that older Chicagoans, whose children have left home, are abandoning large, but cumbersome properties in the "burbs", for the convenience of inner-city living, while loft conversions attract younger residents.

Nevertheless the general downward drift in the city's population has presented planners with considerable challenges.

In a few areas, market forces have managed to generate revitalisation. Bucktown, a northside neighbourhood, is a good example. As the "yuppie" neighbourhoods to the north of the city, such as Old Town or Lincoln Park, became increasingly expensive, Chicago's bohemian, arts-oriented community shifted to cheaper properties in an old, predominantly Polish neighbourhood to the west.

The complaint now is that commercial development, coupled with the arrival of mainstream art galleries and trendy restaurants, is driving up property prices and threatening the character of this area, too.

In other areas, jump-starting development has been the main goal. Increasingly, the city has turned to "Tifs (or tax incremental financing). This, sometimes controversial tool, allows incremental property tax revenues generated within a designated Tif district's boundaries to be fed back into infrastructure improvements, assembling further parcels of land for redevelopment, and even the subsidy of new projects.

The city has more than 50 Tifs – whose designated status can last for up to 23 years – either in operation or planned. "(Their importance) cannot be overstated, in providing economic reinvestment dollars," says Christopher Hill, commissioner for the city's department of planning and development. "We're not getting the money from state or federal governments."

Critics, however, claim that the schemes divert tax dollars from other public entities, such as schools and parks. They also tend to enrich commercial developers and can encourage "cronyism".

Perhaps nowhere better exemplifies the promise and problems which surround the redevelopment of Chicago neighbourhoods than Bronzeville.

This is a southside district close to the Illinois Institute of Technology (IIT) which is the historical heart of African-American community in Chicago.

If all goes to plan, city investments along with larger private initiatives – such as a $250m rehabilitation of the IIT campus – could mean that hundreds of millions of dollars flow into the area. There is talk of attracting "cultural tourism", based around nine landmark properties.

But, even here the path has not been smooth. The boundaries of the Tif, now in its final approval stages, have presented headaches. A pioneering, 50-year-old housing development to the west has opted out, apparently unwilling to accept the constraints its participation would have imposed.

Meanwhile, some Bronzeville residents are concerned that they might be priced out of their neighbourhood, and question how many jobs will flow through to local inhabitants.

Bucktown has become a hot spot for living — Todd Rosenberg

Chicago

Business Information

The Chicago Business Network has a comprehensive list of Chicago businesses on the web. www.chicagobiz.net.com

The Chicagoland Chamber of Commerce can be found on 330 N. Wabash Avenue, tel: (312) 494 6700. www.chicagolandchamber.org

The Chicago Board of Trade is located at LaSalle and Jackson (see map). Details of operating hours are available on its website. www.cbot.com

The Chicago Stock Exchange is located at 440 S. LaSalle Street, tel: (312) 663 2980. www.chicagostockex.com

'The Merc', Chicago's Mercantile Exchange is at 30 S. Wacker Drive, tel: (312) 930 3434. www.cme.com

McCormick Place, North America's premier convention centre can be found at 2301 S. Lake Shore Drive. Tel: (312) 791 7000. www.mccormickplace.com

The Business/Science/Technology Division of the **Harold Washington Library Center** can be found on the fourth floor of 400 South State Street. www.chipublib.org/001hwlc/hwlcbus.html

For the latest business news visit the **Chicago Tribune** and the **Chicago Sun-Times** websites. www.chicagotribune.com and www.suntimes.com

For computer rentals call **Inacom Computer Rentals** on (847) 678 0222 or **GE Capital Computer Rental** on (630) 858 4700.

For formal wear try **Gingiss Formal Wear**, 151 S. Wabash Avenue, tel: (312) 263 7071 or **Seno Formal Wear**, 6 E. Randolph Street, tel: (312) 782 1115.

For messengers call **Arrow Messenger** on (773) 489 6688 or **Cannonball** on (312) 829 1234.

1 **Belden-Stratford:** 2300 Lincoln Park W, (773) 281 2900 or (800) 800 8301
A magnificent 1920s hotel set away from the tourist areas. $135-$150
AE, D, MC, V. 10 rooms/suites. Two restaurants, deli, bar, beauty salon, gym, range of services.

2 **Claridge Hotel:** 1244 N. Dearborn Pkwy., (312) 787 4980 or (800) 245 1258
Peaceful, quiet and genteel hotel on a tree-lined street. $103-$150
AE, D, DC, MC, V. 168 rooms, 1 suite. Restaurant, bar, in-room modem lines, range of services.

3 **The Drake:** 140 Walton Pl., (312) 787 2200 or (800) 553 7253
A splendid 1920's hotel frequently visited by the rich and famous. $200+
AE, D, DC, MC, V. 485 rooms, 50 suites. Three restaurants, two bars, in-room modem, gym, range of services.

4 **Fairmont:** 200 N. Columbus Dr., (312) 565 8000 or (800) 527 4727
Elegant and airy hotel with grand rooms just minutes from the Loop. $200+
AE, D, DC, MC, V. 692 rooms, 66 suites. Two restaurants, bar, lounge, in-room modem, golf, range of services.

5 **Embassy Suites:** 600 N. State St., (312) 943 3800 or (800) 362 2779
Built for a 90's corporate audience with a range of in-room facilities. $200+
AE, D, DC, MC, V. 358 suites. Restaurant, bar, in-room modem, kitchenettes, indoor pool, gym, range of services.

6 **Four Seasons:** 120 E. Delaware Pl., (312) 280 8800 or (800) 332 3442
Great service with a grand English country house feel. $200+
AE, D, DC, MC, V. 343 rooms, 121 suites. Two restaurants, bar, indoor pool, gym, range of services.

7 **O'Hare Hilton:** O'Hare International Airport, (773) 686 8000 or (800) 445 8667
Catering for business people and connected with airport terminals. $100-$150
AE, D, DC, MC, V. 840 rooms, 18 suites. Two restaurants, bar, in-room modem and fax, indoor pool, range of services.

8 **Raphael Chicago:** 201 E. Delaware Pl., (312) 943 5000 or (800) 821 5343
A charming and comfortable 1920s hotel with obliging service. $150-$200
AE, D, DC, MC, V. 99 rooms, 73 suites. Restaurant, bar, in-room modem, laundry service, range of services.

9 **Renaissance Chicago:** 1 W. Wacker Dr., (312) 372 7200 or (800) 468 3571
Modern interpretation of turn-of-the-century splendour. $200+
AE, D, DC, MC, V. 513 rooms, 40 suites. Two restaurants, bar, in-room business facilities, indoor pool, range of services.

10 **Ritz-Carlton:** 160 E. Pearson St., (312) 266 1000 or (800) 691 6906
A luxurious hotel with a blend of European styles. $205+
AE, D, DC, MC, V. 431 rooms, 82 suites. Three restaurants, bar, in-room modem, indoor pool, gym, range of services.

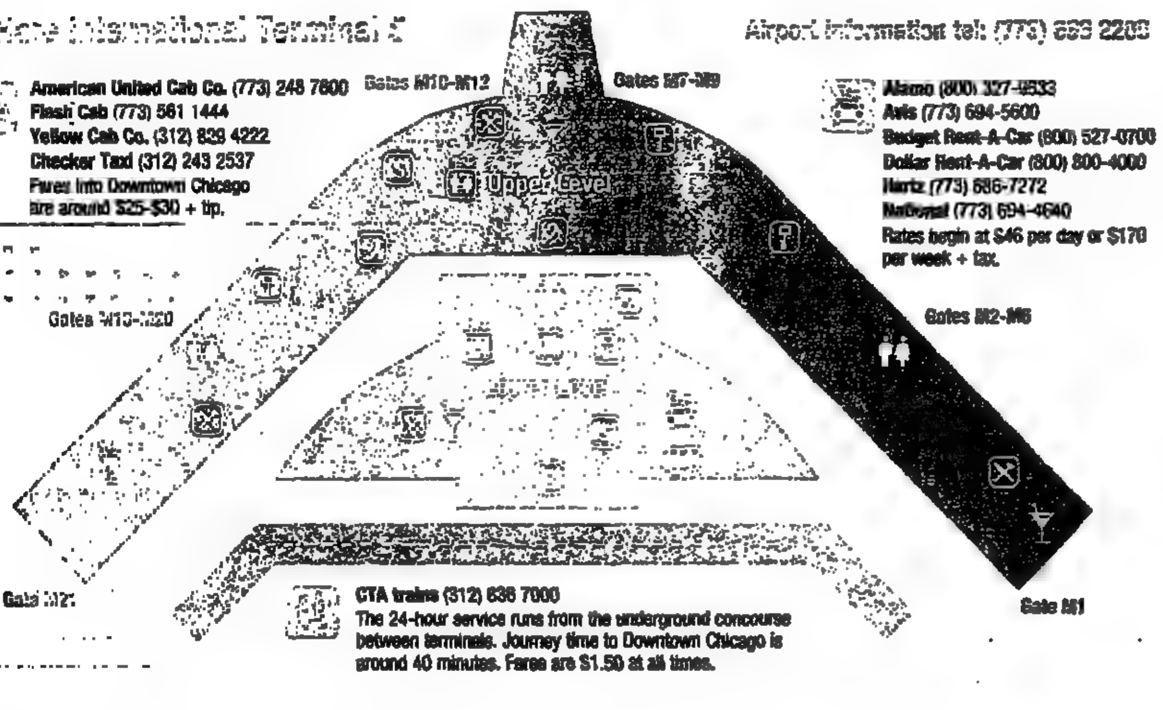
11 **Swissôtel:** 323 E. Wacker Dr., (312) 565 0565 or (800) 654 7262
Harry Weese-designed hotel with panoramic views and river vistas. $200+
AE, D, DC, MC, V. 585 rooms, 35 suites. Restaurant, bars, indoor pool, fitness centre, golf privileges, range of services.

In the Loop: Rush Presbyterian St.Luke's, 1750 W.Harrison St., (312) 942 5000
North: Northwestern Memorial Hospital, 250 E. Superior St. at Fairbanks Ct., (312) 908 2000
Hyde Park and South Side: Michael Reese Hospital, 2929 S. Ellis Ave., (312) 791 2000
Bernard Mitchell Hospital at the University of Chicago, 5841 S. Maryland Ave., (312) 702 1000

Walgreen's: 757 N. Michigan Ave. (at Chicago Ave.), (312) 664 8686
Osco Pharmacies: call (800) 654 6726 for the nearest location

O'Hare International Terminal 5

Airport information tel: (773) 686 2200



American United Cab Co. (773) 248 7600
Flash Cab (773) 561 1444
Yellow Cab Co. (312) 829 4222
Checker Taxi (312) 243 2537
Fares into Downtown Chicago are around $25-$30 + tip.

Alamo (800) 327-9633
Avis (773) 694-5600
Budget Rent-A-Car (800) 527-0700
Dollar Rent-A-Car (800) 800-4000
Hertz (773) 686-7272
National (773) 694-4640
Rates begin at $46 per day or $170 per week + tax.

CTA trains (312) 836 7000
The 24-hour service runs from the underground concourse between terminals. Journey time to Downtown Chicago is around 40 minutes. Fares are $1.50 at all times.

1 **Ambria:** 2300 N. Lincoln Park W, (773) 472 5959
Contemporary French cuisine in an Art Nouveau setting. $45+
AE, D, DC, MC, V. Reservations essential. Closed Sun. No lunch.

2 **Blackhawk Lodge:** 41 E. Superior St., (312) 280 4080
Hickory-smoked cuisine in a rustic American setting. $30-$45
AE, D, DC, MC, V.

3 **Brasserie Jo:** 59 W. Hubbard St., (312) 595 0800
Authentic French brasserie. $15-$30
AE, D, DC, MC, V. No lunch weekends.

4 **Charlie Trotter's:** 816 W. Armitage Ave., (773) 248 6228
Highly recommended gourmet restaurant. $45+
AE, DC, MC, V. Reservations essential. Closed Sun/Mon. No lunch. Jacket required.

5 **The Dining Room:** Ritz Carlton, 160 Pearson St., (773) 266 1000
Fine classic French food in a beautiful setting. $45+
AE, D, DC, MC, V. Reservations essential. Jacket and tie required.

6 **Everest:** 440 S. La Salle St., (312) 663 8920
Exclusive venue 40 floors above ground with sweeping views. $45+
AE, D, DC, MC, V. Res. essential. Closed Sun. No lunch. No dinner Mon. Jacket required.

7 **Frontera Grill:** 445 N. Clark St., (312) 661 1434
Mexican cuisine in a casual café atmosphere. $15-$30
AE, D, DC, MC, V. Closed Sun/Mon.

8 **Grappa:** 200 E. Chestnut St., (312) 337 4500
Contemporary cuisine in a sophisticated Italian restaurant. $30-$45
AE, D, DC, MC, V. No lunch Sun.

9 **Les Nomades:** 222 E. Ontario St., (312) 649 9010
Smart French restaurant, formerly a dining club. $45+
AE, MC, V. Res. essential. Closed Sun/Mon. No lunch Sat. Jacket required.

10 **Morton's of Chicago:** 1050 N. State St., (312) 266 4820
Chicago's best steak house. $30-$45
AE, D, DC, MC, V. Res. essential. Closed Sun. No lunch Sat/Mon. Jacket required.

11 **Papagus:** Embassy Suites, 620 N. State St., (312) 642 8450
Chicago's best Greek restaurant. $15-$30
AE, D, DC, MC, V.

12 **Park Avenue Café:** 199 E. Delaware Pl., (312) 944 4414
Imaginative and artistically presented American food. $45+
AE, D, DC, MC, V. No lunch. Open late

13 **Printer's Row:** 550 S. Dearborn St., (312) 461 0780
Creative regional menus in a stylish restaurant. $30-$45
AE, D, DC, MC, V. Closed Sun. No lunch Sat.

14 **Shaw's Crab House:** 21 E. Hubbard St., (312) 527 2722
East Coast-style seafood restaurant and oyster bar. $30-$45
AE, D, DC, MC, V. Lounge closed Sun. No lunch weekends.

15 **Spiaggia:** 980 N. Michigan Ave., (312) 280 2750
Luxury Italian dining in a stylish setting. $45+
AE, D, DC, MC, V. Reservations essential. Jacket required.

16 **Topolobampo:** 445 N. Clark St., (312) 661 1434
Quality Mexican food in a stately atmosphere. $30-$45
AE, D, DC, MC, V. Reservations essential. Closed Sun. No lunch Sat.

EDUCATION • by John Authers

A lesson in school reforms

A bold experiment in classrooms could lead to a sea change in US education

Chicago public schools have the eye of the nation. One of the nation's largest school systems, with 557 schools, more than 420,000 pupils, and an operating budget of $2.8bn, it had also traditionally been one of the most troubled, suffering from problems of deprivation common to many urban areas.

But the drastic reforms the city started to put in train in 1995 have commanded international attention, and could lead to a sea change in the way all US school education is conducted. The project has been watched closely by President Clinton, who has championed several of the proposals and is using federal money to nudge other metropolitan school systems into following Chicago's example, and by the new Labour government in the UK.

It has generally eschewed some of the more fashionable right-wing policies centred on attempting to create an education "market" with several competing school systems, such as the "charter schools" used in many US states, or the UK's "grant-maintained" schools. Instead, in 1995 it launched an aggressive campaign to use externally set benchmarks and targeted assistance to improve the performance of the existing system.

The most controversial reform came two years ago when Chicago did away with "social promotion" – the technical term for allowing children to progress to a higher grade and on to high school without necessarily having shown that they had mastered their previous grade.

Internationally, many academics believe that the US grade system can institutionalise mediocrity, and slow the progress of all pupils, particularly at the high school level.

Paul Vallas, the energetic chief executive appointed to run the system three years ago, freely admits that this was the single most controversial decision the system has made, and that he has been surprised by how little opposition it has created.

In 1996, new standards based on externally set skills tests in reading and mathematics were set to spot under-achieving students in the third, sixth, eighth and ninth grades. In its first year, this revealed that 12.7 per cent of pupils had not met the minimum standards. Without taking extra study, they would not be allowed to move up to the next grade with their peers.

The following year, when the standards were raised slightly (Mr Vallas had set the bar quite low in the first year), the proportion failing to meet the new minimum dropped to 8.3 per cent.

Improvement was particularly dramatic at high school. After one year, the proportion of 15-year-olds not reaching the minimum standard for high school (which children normally start in the September after their 14th birthday), had halved, from 2,600 to 1,300.

Mr Vallas is unapologetic about the scheme. "The point is that we want to graduate children prepared for college or a job, rather than give them a phoney degree, or one which doesn't translate into any competency. That's the approach we are taking."

The scheme's strongest backer appears to be the president. Speaking to governors earlier this year, Mr Clinton talked about parents he had met at an inner-city school in Chicago. "None of them felt aggrieved because this school had ended social promotion. They felt empowered because it had, because it was done at the grassroots level. And they thought it was a fair system because they were involved in it and because their kids had a positive alternative. So it wasn't just that they were going to be held back."

The system is acceptable to parents because it is backed by a range of new services to increase children's chances of progressing.

It is also workable because of a series of financial reforms, in which the city has delegated wide flexibility to Mr Vallas, a former Chicago budget director, and school officials.

The money the school system receives is consolidated into a single block grant, giving Mr Vallas "maximum flexibility".

The school system has also reached a four-year agreement with teachers' unions, which set limits on class sizes and working hours, and allowing a background of industrial peace for the reforms.

But the extra resources have been balanced by extra accountability. More than 100 schools have been placed on academic "probation" at different times due to poor performance, while 36 principals – who are not unionised – have been dismissed for failing to reach the academic targets set for their schools.

Schools are also being encouraged to take a more old-fashioned attitude to discipline issues. Each school must vote each year on whether to introduce uniforms, and 80 per cent have now done so in an attempt to counter gang insignia.

The results of Chicago's bold experiment are now being watched closely.

THE RIVER AND THE GREAT LAKES • by Tony Walker

'Open sewer' now runs more sweetly

Progress has been made in cleaning up the river but much more needs to be done

Upton Sinclair, the American writer, could hardly have been more scornful about the river which snakes through Chicago's city centre and suburbs.

Soon after the turn of the century, Sinclair described it as a "great open sewer a hundred or two feet wide" in which grease and chemicals underwent "all sorts of strange transformations," so it was constantly in motion, as if "huge fish were feeding in it".

Now, Chicago prides itself on the progress made in cleaning up the Chicago-Illinois watershed and is bent on having the once "great open sewer" designated an American Heritage River. This would seem a reasonable expectation given the improvements made to both the quality of the water and the riverscape which is being transformed into a recreational and residential habitat.

Richard Daley, Chicago's mayor, gets high marks for his efforts to make the Chicago River more "user-friendly" like the Thames and Seine. Indeed, after visits to London and Paris in recent years he has instructed city officials to redouble efforts to "purify" the river and its surrounds.

"I think the mayor wants to make this city even more of a world class city than it is and he is constantly looking for ideas to achieve that," says Jeffrey Edstrom, senior policy director of the Council of Great Lakes Governors, a group charged with revitalising the Great Lakes... area.

But for all the progress much more work needs to be done to complete the river's transformation so that it complies with the Federal Clean Water Act which requires that American waterways be navigable and also meet minimum standards for edible fish and bathing.

"We are getting quite close according to a number of standards to make the river fishable," says Susan Hedman, president of Friends of Chicago River, lobbyists for the river and surrounds. "But we still have a long way to go to make it swimmable."

The river suffers from a residue of toxic waste embedded in its sludge and slime, and is also afflicted by the run-off of herbicides and other contaminants from people's gardens and households.

Ms Hedman's organisation is leading the campaign to have the Chicago River added to the heritage register. In recent correspondence with Washington she pointed out that the "City of Chicago owes its very existence to the Chicago River." It is the "natural feature" which first defined Chicago's location.

"The future of the Chicago river is bright," she wrote. "The river is being used as an outdoor classroom by elementary and high school teachers throughout the watershed, and as more and more people move back into the city, new residential communities are developing along the river."

Rehabilitation of the Chicago River fits neatly with the city's plans to revitalise its city centre as both business and residential area. A cleaner river and surrounds appear to be adding to Chicago's charms which have made it one of North America's more desirable areas – especially for young professionals who find New York and Los Angeles expensive.

City officials recently unveiled plans to develop further the river, including bicycle and walking paths, new docks for boats, fishing spots and parks. "What we are trying to do is reintegrate the river into the neighbourhoods which line its banks," says Joseph Zehnder, deputy commissioner of the City's Department of Planning and Development.

Boat taxi operators are helping to make people more aware of Chicago's charms viewed from its once maligned river. City officials hope this mode of transport will catch on following the European example.

Efforts to make the best of the Chicago River also complement a programme to revitalise the Great Lakes region which continues to suffer from serious pollution problems – Lake Michigan near Chicago has been polluted with asbestos – and, until fairly recently, has also been burdened by faltering "mature" economies.

But in the past few years a concerted effort by the Canadian authorities and by the eight states which border the Lakes has improved markedly the environment, and the region has undergone something of an economic re-birth.

The area remains North America's industrial heartland: it manufactures 60 per cent of the continent's steel and 60 per cent of automobiles while the rate of growth of exports exceeds that of most other regions.

This represents a fairly remarkable turnround from the late 1970s and early 1980s when unemployment soared to twice the national average and the region lost 15 per cent of its manufacturing jobs. Most of its industries, including the motor industry, were in decline and obituaries were referring to the death of "rust belt" economies.

But the obituaries have proved premature, and along with an economic renaissance has come a more determined effort to preserve the environment.

As a statement by the Council of Great Lakes Governors says: "The Governors' vision today presumes that the clean-up and protection of the Great Lakes is dependent on a world-class regional economy, and that sound environmental policy makes good economic sense."

AIRPORTS • by Tony Walker

High-flying soap opera grinds on

Elections are highlighting the argument over a third airport

It is among Chicago's longest-running soap operas and this year it is set to command more attention than usual. Elections for governor and the US Senate are again highlighting the vexed issue of whether Chicago should move forward with a "third airport" to supplement existing facilities, including O'Hare, the world's busiest airport.

Politicians seeking votes tend to favour an additional airport, both to relieve pressure on O'Hare and to provide economic stimulus for an area south of Chicago which is a proposed site for a third facility. O'Hare is subject to persistent criticism from residents who live under or near its flight paths.

But powerful opponents of a new airport include Richard Daley, Chicago's popular mayor, aviation officials and the two airlines which use O'Hare as hub of operations – United and American. The lack of obvious financing will also make it difficult to go ahead with a new airport.

Mary Rose Loney, Chicago's Aviation Commissioner, believes talk of a new facility is something of a red herring. "We feel very strongly that demand can be met through Chicago's existing airport system," she says.

Joe Hopkins, media relations manager of United Airlines, headquartered in Chicago, says the industry is opposed to a third airport "on the basis it is not needed and not affordable".

The Clinton administration is also quietly giving its support to Mayor Daley whose brother serves in the cabinet. The Federal Aviation Authority last year removed Chicago's proposed new airport from a list of those eligible for federal funding.

In the meantime, as the debate rumbles on, Ms Loney is striving to improve and expand O'Hare's facilities to make it more attractive for international travellers. She cites a recent airline study which found that "an international passenger was five or six times more valuable than a domestic one".

O'Hare with 70.4m passengers passing through its facilities last year has a strong lead over Dallas, North America's next busiest airport. But its share of lucrative international traffic lags "gateways" such as New York, Miami, Los Angeles and Toronto. About 15 per cent of O'Hare's traffic is international.

Ms Loney has pledged to "aggressively pursue" increased international traffic, seeking to capitalise on the the strength of United and American which are both expanding internationally. United's share of all operations at O'Hare and Midway (Chicago's second airport) is about 45 per cent, compared with 38 per cent for the Dallas-based American.

Measures being adopted at O'Hare to improve competitiveness include lowering rents and fees for carriers at the international terminal and an enhanced marketing effort.

The aim is to persuade airlines to increase the frequency of flights to Japan, to open non-stop routes to other parts of Asia, and to include more destinations in Latin America and Europe.

Ms Loney has also announced a freeze or reduction in domestic airport landing fees and rental rates, both of which had risen sharply in 1997. "We do not want to lose our leading edge," she says. "We want to make sure we do not let other airports pass us by."

Agreement has been reached with big carriers to spend some $1bn on "strengthening and shoring up" domestic terminals. The international terminal is "well positioned" to meet growth expectations, according to Ms Loney. "We have a mature domestic market," she says, "But international activity is growing at a double digit rate."

Chicago's aviation authority is also looking at Midway, the "point-to-point" airport on the city's southside which is host to smaller, lower-fare carriers which complement the O'Hare service. The plan is to spend $722m on building a new terminal and improving roadways and parking at Midway.

In 1997 combined operations of O'Hare and Midway reached 1.12m take-offs and landings, with O'Hare accounting for some 884,000 of the total. That puts it ahead of Dallas, Los Angeles, Atlanta and Denver in the US.

Ms Loney is confident Chicago can maintain that lead in spite of sniping from local critics who have stymied efforts to add a new runway at O'Hare. She points to the 30 "open skies" agreements concluded by the US recently as an encouragement to "market-based competition", which should be good for the Mid-West region with its large population base.

She also notes that O'Hare's domestic feeder traffic is particularly strong with about 58 per cent of passengers using the airport to transit to other flights. This provides a large potential pool of passengers for international flights.

"Barriers to international growth are being lifted at an unprecedented rate this decade," she says. "The convergence of all these positive attributes really shines on Chicago."

PROFILE Oprah Winfrey

Brightest star in midday TV firmament

Chicago may have an indifferent climate and a murky outlook on the world, but it is home to US television's brightest star and one who brings considerable revenues and kudos to a city which has had its ups and downs over the years.

What is good for Oprah Winfrey is also beneficial, it seems, for Chicago.

Jeffrey Jacobs, president of Harpo Productions (Harpo is Oprah spelled backwards), estimates that the queen of midday television brings some $30m a year to the local economy in terms of salaries for the 150 people on her payroll, airlines and hotel accommodation for guests who appear on her show, and for other activities involved with her mini-entertainment empire which includes film and video.

But the bare figures probably understate the real benefit to Chicago. With basketball star Michael Jordan of the Chicago Bulls, Ms Winfrey provides hours of priceless unpaid advertising for the city at home and abroad.

In the process she has enriched herself almost certainly beyond her own imagining. Forbes magazine estimates her net worth at more than $500m, making her one of the highest paid stars in the entertainment business.

But the Winfrey phenomenon appears not simply to be that of a popular entertainer who is a mistress of all she surveys from her clichéd throne as the "Queen of daytime television". From her Chicago perch she has become something of a national institution, capable of influencing reading and recreational habits

With basketball star Michael Jordan, Oprah Winfrey provides hours of priceless unpaid advertising for the city AP

among her millions of viewers across the world.

"What makes her the best?" asked the writer of one of many adoring profiles which have been written over the years. "It's a combination of factors, including natural ability, acquired skills, personality, experience, charm, compassion, intuition and, without question, star appeal."

The writer could have added the word: marketing! For Ms Winfrey, who clearly has a flair herself for relatively effortless self-promotion, is also packaged superbly by her Harpo minders.

They could hardly have wrung greater climactic advantage, for example, from the announcement last September that after weeks of soul-searching Ms Winfrey had agreed to continue her award-winning show through the 1999-2000 season. King World Production, marketer of the Oprah Winfrey Show, breathed easier and its stock price firmed. The show reaches 99 per cent of the US viewing audience, is carried by 206 TV stations nationwide and in 132 international markets. Ms Winfrey is as popular with housewives in Riyadh, Saudi Arabia, as she is in Des Moines, Iowa.

She also turned skilfully to her advantage this year a time-consuming libel suit brought by Texas cattlemen over remarks on her show suggesting meat-consumption was harmful to one's health. In February, a judge in Amarillo ruled that she bore no liability for the critical remarks.

But Ms Winfrey, who had decamped to Amarillo with her show for the trial, was able to portray herself as a doughty proponent of the First Amendment and, in the process, reap a publicity windfall. "My reaction is that free speech not only lives, it rocks," said Ms Winfrey, standing outside the Amarillo courthouse.

The trial and attendant publicity did no harm to ratings of the *Oprah Winfrey Show*, which has consistently outrated its competitors since it was launched in 1986. But, as Harpo executives point out, the sum of the Winfrey phenomenon is much more than the parts of her top-rating show.

From her $30m production studio on Chicago's west side, Harpo Films is producing TV movies for ABC and feature films in conjunction with Disney's Touchstone Pictures. Ms Winfrey herself is starring in *Beloved*, based on the Toni Morrison novel.

She is also a best-selling author. *Make the Connection*, her fitness manual has sold 2m copies. Oprah Winfrey's marketers could not be accused of passing up opportunity to capitalise on her name and reputation.

But perhaps the real proof of her marketing power lies in her ability to sell the works of her favourite authors. Ms Winfrey has done for Toni Morrison, the 1993 Nobel laureate, what years of diligent authorship plus marketing efforts of her publishers could never have achieved. She has turned Ms Morrison's works on themes of black redemption into best-sellers.

There could hardly be more effective proof of her marketing prowess . . . and of her intrinsic value to causes she adopts and to her adopted home. Chicago can count itself fortunate that a relatively obscure talk show host found her way to its shores in 1984 and then built a show business empire.

Tony Walker

CONVENTION CENTER • by Tony Walker

Eventful days for 4m visitors annually

The prize for Chicago is a share of a business worth $82.8bn annually

In Chicago big is better, it seems, as far as the city's convention facilities are concerned.

With the opening of the 33-story 800-room Hyatt hotel in June, the city will have completed an ambitious extension programme which consolidates Chicago's McCormick Place's position as the largest convention centre in North America.

But there are challengers: Orlando, Florida, is expanding its exhibition space to nearly match that of Chicago's 2.2m square feet, and Atlanta, Georgia, is adding space to make its facilities more competitive for large events which have hitherto tended to be monopolised by Chicago.

The prize is a share of the US's lucrative convention and trade show business which was estimated in a 1994 study by the Washington-based Convention Liaison Council to be worth $82.8bn annually. Chicago reckons that the convention business contributes about $6bn to the city's economy each year.

John Devona, senior director market planning for the Metropolitan Pier and Exposition Authority, says conventions and tourism have been critical to Chicago's efforts to transform itself from a "rust belt" town to a service centre. McCormick Place alone hosts more than 4m visitors annually.

Tourism is challenging manufacturing as Illinois' second largest industry behind agriculture. McCormick Place and Navy Pier on Lake Michigan help bring millions of visitors to Chicago each year.

But there are shadows over the convention business. A lingering industrial dispute is threatening McCormick's Place's ability to compete for new business. Chicago's Chamber of Commerce has warned that failure to resolve demarcation issues between unions involved in setting up and operating conventions and trade shows risks Chicago's pre-eminent position.

"While the region's skilled workforce (and competitive wage rates) are strong selling points for McCormick Place, restrictive union work and jurisdiction rules are not only preventing many shows and conventions from considering Illinois but are also making many current clients think twice about returning here," the chamber said in a recent letter.

However, for the time being the convention business is brisk. McCormick Place has a relatively full book of events this year, including giant boat and automobile shows which occupy vast amounts of space. That is something the convention facility does not lack.

When the latest extension was completed in 1996 at a cost of $675m, McCormick Place had added 840,000 square feet of exhibition space to the existing more than 1m. That additional space is large enough to hold 20 747 aircraft or 10 baseball fields and occupies a 27-acre site. The modern convention facilities, in sheer size and scope, almost certainly far exceed the dreams of Colonel Robert McCormick, the legendary former owner of the Chicago Tribune, who lent his name to the original exhibition hall which was destroyed by fire in 1967 after being completed in 1955.

Col McCormick would also no doubt have been impressed by the refurbishment of Navy Pier which had fallen into disrepair but was restored as a tourist precinct at a cost of $225. Reopened in 1995, it is now attracting 7m visitors annually and is, in Mr Devona's words, an "unqualified success".

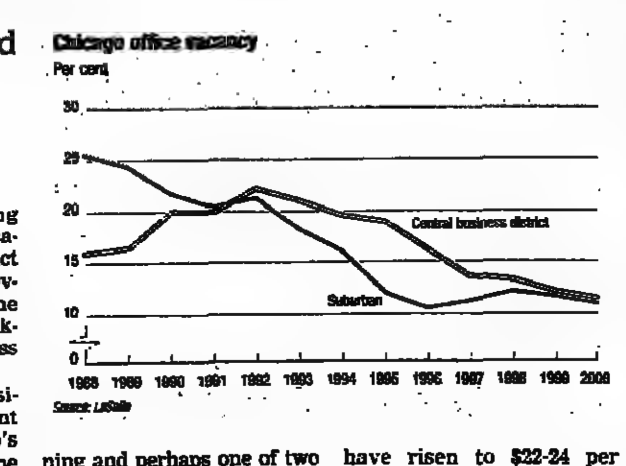
Among new attractions planned at the pier, which already includes restaurants, shops, a Ferris wheel and function rooms, is a Shakespeare theatre to be built at a cost of $22m. "We don't want the pier to be simply a summer-time activity. We don't want it to be viewed just as a carnival," says Mr Devona.

"We want to attract year-round visitors to help the shops and restaurants."

PROPERTY • by Tony Walker

Business district astir

There is increased activity in the office and residential markets



After years of lying relatively dormant, Chicago's central business district market is stirring with several new buildings in the planning stage and shrinking availability of top class rental space.

Mark Parrish, vice-president of La Salle Management Services, one of Chicago's larger rental agents, says the vacancy rate in class A buildings is the "lowest in 15 years" and rents in some cases are approaching those on Wall Street and lower Manhattan, although there is still a big gap between mid-town New York and Chicago's more expensive space.

"In general we are very optimistic about the future of downtown Chicago, but at the same time we recognise the market can only tolerate a limited increase in supply," says Mr Parrish.

Mr Parrish is somewhat sceptical, therefore, about Chicago's ability to absorb more than one of the five larger buildings under planning and perhaps one of two smaller projects. But on the other hand he believes the "fundamentals remain very strong".

He says that among Chicago's advantages are that it is one of a small number of "24-hour" cities in the US – that is it has an extensive commuter rail system in place, it is blessed with "tremendous" cultural amenities in its city centre, and residential accommodation is booming in and around the business district.

The vacancy rate in Class A rentals is down to 6.1 per cent and 15 per cent in Class B; squeezing the market at the top end, where rents have risen to $22-24 per square foot, is the lack of availability of larger space. There is no block of 100,000 square feet, or more.

Mr Parrish expects that over the next 18-24 months tenants who would normally take Class A space will move into Class B accommodation and upgrade. The market is already seeing a "trickle" of that happening.

The market's strength and the general buoyancy of the economy is also prompting companies to consider selling their buildings. Amoco, for example, has its property on the market and there have been other recent sales by high profile companies.

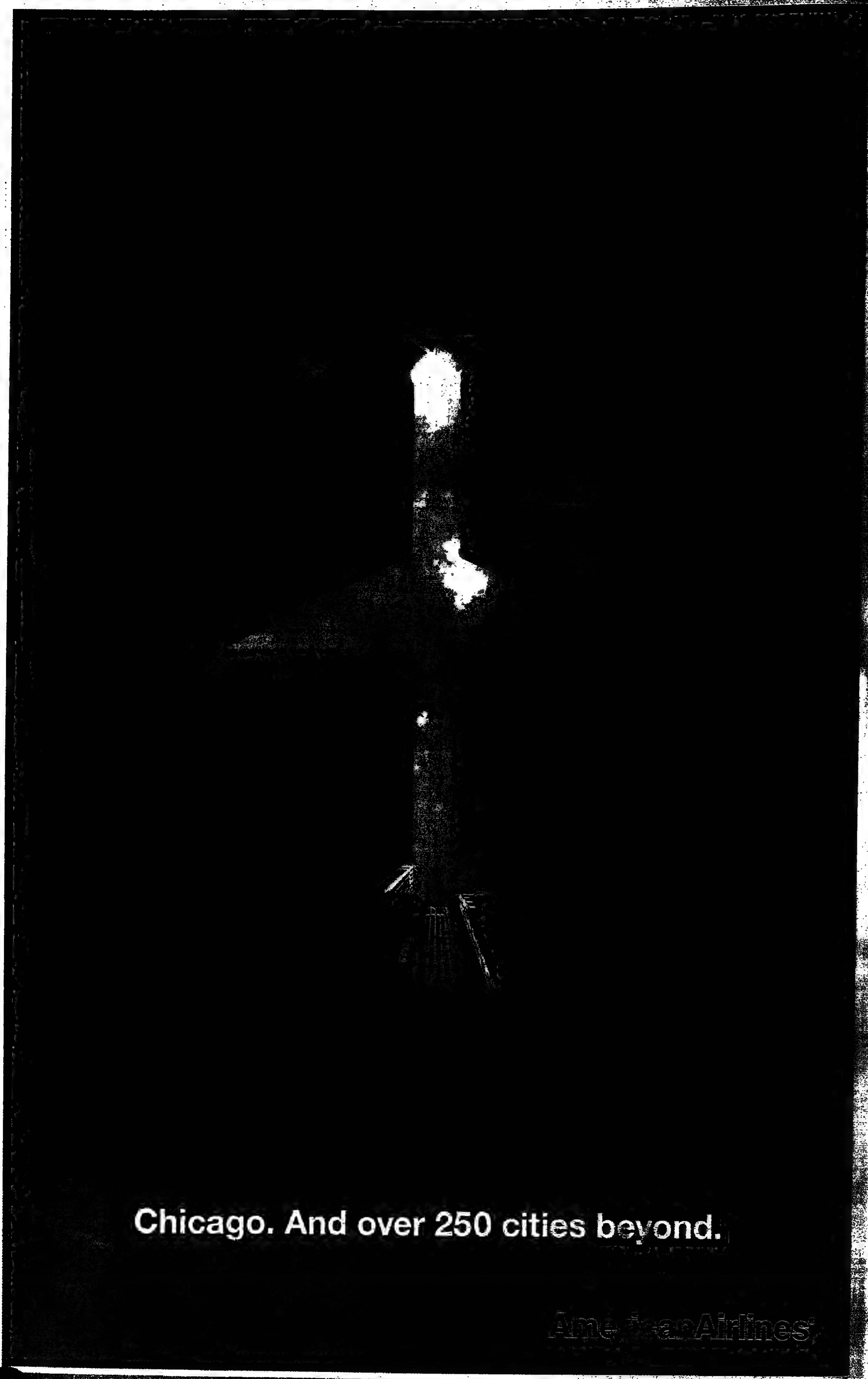
Jacques Gordon, director of research at La Salle, says that while Chicago is not immune to the ups and downs of the market, it is enjoying "stable, broad-based growth", and there is no reason to believe this will not continue.

"There is no one sector which can bring down the house of cards," he says. He notes that Chicago ranks in the top 10 among North American cities, according to a regional growth index model developed by La Salle research.

In line with increased activity in Chicago's office and residential markets has also come a lift in the tempo of hotel construction. Hyatt is opening an 800-room hotel at McCormick Place in June and and several other hotel and serviced-apartment blocks are under construction.

All this is a far cry from the depressed early 1990s when Chicago's property bubble burst.

These recent painful memories are sufficient, for the moment, to calm speculative instincts, according to Michael Szkatulski, managing director of Mesirow Financial, one of Chicago's larger developers.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ROBERT TAYLOR

Fairness at work

The government wants to extend employee rights while preserving business efficiency

This week's long-awaited UK government "fairness at work" white paper represents the most comprehensive package of legislative measures to extend employee rights seen in the UK for more than a quarter of a century. The rather arcane discussion over recent months about the precise terms trade unions will require to win recognition in companies for bargaining purposes has received the most public attention, but this debate has given a misleading impression of the government's intentions.

Its primary aim is not to restore lost trade union power and privileges but to extend new legal rights to all employees in the name of social partnership without damaging business competitiveness or efficiency. As a result all UK companies will need to re-examine their employment and recruitment practices. Legislation based on the white paper can be expected in the next session of parliament and most of it will come into force soon afterwards.

Further regulation of the workplace can be expected. The UK will have a legally enforceable national minimum wage for the first time from next year, covering those employed in small as well as large and medium-sized companies.

Substantial numbers of people no longer show up in official statistics

European Union legal regulation can also be expected on working hours, the introduction of paid annual holidays, the protection of part-time employees, and an extension of information and consultation committees to all large UK-owned companies with business operations in two or more EU member states.

The cumulative impact of this plethora of employment regulation looks set to transform the workplace, making it much more sensitive to employee needs. But this does not mean a revival of the trade union-dominated corporatism of the 1960s and 1970s. On the contrary, the overriding argument we can expect to hear in support of these changes is that they are necessary to underpin the development of social partnership in the UK between companies and their employees that will balance the need for flexibility with that for job security. In fact, most of what is being proposed in the UK would not raise much controversy in most other western European countries, where legal workplace regulation based on rights and responsibilities has a long history.

Much of what the government's white paper seeks to do is bring the UK more into line with common EU employment practice. This represents an acceleration in the convergence of the country's labour laws with those of mainland Europe, which has been going on slowly for the past 20 years.

Many UK employers are not going to like this and they can be expected to voice their anxieties about the alleged cost burdens during the consultation period that lies ahead. However, they ought to be reassured by the government's insistence that the creation of a minimum framework of acceptable standards of behaviour in the workplace should benefit and not hinder business performance.

The establishment of more regulated workplaces is also designed to ensure employers give a higher priority to recruitment and retention. It is about the spread of best practice beyond the relatively small proportion of companies that already pursues employee-friendly policies.

It will be interesting to see just how government ministers are going to reconcile the proposed range of workplace reforms with their public enthusiasm for the country's so-called flexible labour market based on limited regulation, which they continue to contrast favourably with the allegedly over-restrictive continental European approach to employment creation.

In fact, there is plenty of evidence available that suggests the UK's labour market performance of low unemployment and high job creation is not as impressive as the government likes to think when contrasted with that of much of mainland Europe. Recent research carried out by Monica Threfall at Loughborough University draws attention to the UK's consistently poor record in adult male rates of unemployment over the past 13 years. Only Spain and Ireland have seen worse.

By contrast the UK is one of the few EU countries with a relatively low incidence of female unemployment, bettered only by Denmark. This is because of the high level of part-time work available in the UK, which women are much more likely to accept than men. Nearly half the UK's working women are in part-time employment with two-thirds of them working in jobs for less than 21 hours a week.

This suggests that the UK labour market (similar in this respect to that of the Netherlands) generates more flexible forms of employment that are much more attractive to women than to men.

"There are very few indications of a breed of new men preferring half-time work or job-sharing," argues Ms Threlfall. "Perhaps eventually fathers taking part in child care may perceive this as desirable as long as they are earning at least half a living wage and have a partner who can earn the other half."

There are also substantial numbers of people no longer showing up in official unemployment statistics. The evidence suggests the UK has a much larger proportion of people who are excluded or exclude themselves from the labour market than most other EU countries. In 1996 in the UK, for instance, an estimated 13 per cent of the workforce was defined as "inactive" but wanting work. This was more than twice the EU member state average.

The level of employment inactivity is particularly striking among men in the UK aged 50 and over. As many as 28 per cent of them are economically inactive at the moment, compared with only 8 per cent of males aged 35 to 49.

Moreover, nearly half of those registered hardcore male unemployed (47 per cent) have not worked for more than 12 months, while as many as a third of them have not done so for more than two years.

UK policymakers may have to focus on helping to remedy the gender differences in the labour market and in particular how to respond to the troubles of male manual workers who can no longer find the kind of full-time, well-paid jobs they are accustomed to. The problem is that any gender-based employment strategy would fall foul of the anti-discrimination workplace practices that are now regarded as a necessary ingredient in "good" company recruitment programmes.

WORKING BRIEFS

Workers beat stress at the office by relaxing with their computer

Today's office is a much more contented, informal and relaxed place than it used to be.

Staff accept work pressure and stress are greater, but believe they are more effectively and efficiently managed than in the past, according to a recent survey carried out by Pitman Training, the UK workplace training company.

They also like using high technology equipment in the office such as personal computers and e-mail, with two-thirds of employees saying they are happy with it.

As many as 90 per cent of those sampled said high technology equipment made their work more enjoyable and a third said they wanted better training to increase their job skills.

Teamwork is a winner

Teamworking is growing in popularity in the organisation of work in UK businesses and organisations, according to a survey published this week by the Industrial Society, the independent employment body.

In a survey of 723 employers across the UK it found 86 per cent of them saying there was more teamworking in their workplace than two or three years ago.

More than 60 per cent of employers said the increase was due to the devolution of responsibility within the workforce.

EU top salaries converge

There are signs of a convergence in the level of salary increases among directors of companies across the European Union, according to the latest senior management pay survey carried out by Monks Partnership, the independent consultants.

Median rises in 1996-97 adjusted for inflation indicate a high 4.4 per cent improvement in Italy and 4.0 per cent in Sweden, with the lowest at 1.0 per cent in Norway and 2.0 per cent in Germany.

Five years ago the spread of salary growth was between 5.5 and 13 per cent.

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Candidates must have a minimum of four years hands on operations experience within the industry and have an innovative and creative approach to IT problems. Proven project management and delegation skills are essential

Strong negotiating and written expertise plus a good working knowledge of current investment management, compliance and tax issues will be of prime importance, for this challenging role, which will provide a major liaison point between the Executives and the Operations team.

Interested candidates, ideally aged between 28 and 35, should send or fax CVs to:
Carol Jardine, Jardine Kelso, 53 Shepherds Hill, London N6 5QP stating current salary and quoting reference number JK/0074, Fax 0181 341 4463

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Outstanding Opportunities in Central & Eastern Europe, Russia and CIS

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The emerging markets of Central & Eastern Europe, Russia and CIS represent the most interesting professional challenge for decades and one of our fastest areas of growth.

We, as one of the world's leading business advisory firms, are increasing our involvement in this region and have exciting opportunities for individuals across a wide range of disciplines, in particular:

Audit professionals: at all levels and with diverse backgrounds, particularly in banking, insurance, oil, gas and energy.

Tax managers and seniors: specialising in tax planning, compliance and litigation.

Our practices in Russia and CIS are particularly interested in hearing from management consultants with experience in information technology and business reorganisation. Our Corporate Finance practice is looking for staff at all levels with experience in pre-investment search and analysis and due diligence exercises.

A working knowledge of one of the relevant languages and/or German is desirable, but not essential. A flexible and practical outlook is fundamental. The initial contracts will be for a period of 2-3 years.

We offer an attractive remuneration and benefits package, coupled with the opportunity to play an integral role in the development of our practices whilst evolving both personally and professionally.

Interested candidates should send full details in confidence to the initial point of contact: Lucy Elkins, KPMG European Headquarters, 54 Avenue Louise, 1050 Brussels, Belgium. Fax: +32 2 513 96 31. E-mail: LucyE@KPMG.be

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Structured Finance Group is part of the Specialised Financing arm of GE Capital, one of the largest and most diversified financial services companies in the world. GE Capital is in itself a division of General Electric*, one of the most high-performing enterprises in the world with global manufacturing, technology and service operations.

Structured Finance Group in London continues its rapid growth in commitment of funds, from $300 million in 1997, and moving to $1 billion by the Millennium. We are building business in most of the international industry sectors.

Our expansion now requires the addition of a new team member as a senior deal maker to originate and structure cross border corporate and project finance transactions in Western and Eastern Europe.

As the appointed candidate you will have a successful track record in closing major corporate and project finance deals, originating and structuring the deal as the deal leader and multiple European languages. Experience in Asia, so that we can cross-sell in co-ordination with other international offices, would be an advantage.

The total compensation for this position will be in excess of £150,000 plus a superior benefits package.

Please write to our advising consultants at the address below enclosing a copy of your CV and current salary details, quoting ref:7383/FT
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Fax: 44 171 256 8501
E mail: cjagroup@online.rednet.co.uk

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Financial Times

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Candidates will be graduates with a numeric or business orientated degree together with a proven track record of academic achievement. The roles will require varying degrees of corporate finance experience depending on the level of entry. Executive level candidates with ACA 1st time passes or post graduate education from one of the top business schools and relevant internship exposure will also be considered. Excellent interpersonal skills together with creativity and cross cultural adaptability are essential criteria.

For further information and a confidential discussion please contact David Goodrich or Julian Davey.

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ACCOUNTANCY APPOINTMENTS

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Moving to Price Waterhouse will do much, much more for you and your career than putting powerful products into your hands. In fact, it will enable you to reconcile two apparent opposites – to go deeper into your chosen tax specialism, while enjoying increasing interaction with project groups working on a broader range of business solutions in which tax saving will be an important component. Your colleagues could include consulting and supply chain specialists. With them, you'd address the multi-dimensional business problems that only confront the largest international companies and that would be beyond the reach of many practices.

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Price Waterhouse is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

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Dresdner Kleinwort Benson is a leading European investment bank with worldclass expertise, worldwide.

Audit Opportunities

£ Excellent City of London

Our London-based Internal Audit team is an integral part of the global audit function, working in partnership with the business units to enhance their business practices and to monitor and control risks. The continuous expansion of our investment banking activities has increased the demand for audit services and we are now looking for high calibre professionals to fill the newly created roles. If you are pro-active and a highly motivated team player, continuously looking forward to the next challenge, possess excellent analytical, communication and relationship-building skills and are comfortable working in a consultancy capacity, please read further.

IT Audit Team - Manager

Working alongside the head of the team you will be responsible for planning and conducting reviews of advanced technologies and business applications as well as providing pre-implementation consultancy to key projects.

The ideal candidate will possess:

- a degree level education, most probably in a numerate discipline.
- significant experience of information technology in an investment banking or related industry, most likely in an audit or controls consultancy role.
- extensive experience of existing and emerging technologies such as electronic banking and object-oriented development practices. (Ref MW0501)

Banking Audit Team - Manager

Banking Audit Team - Auditor

The team focuses on global finance, private banking and asset management. Whilst the regular audit programme is maintained, increasing resources are required to support the development of new products and services.

As a Manager, you will work alongside the head of the team, assist in audit planning, lead/participate in audits, establish and maintain meaningful contacts with the business heads and provide consultative support on an ongoing basis. (Ref MW0502)

As an Auditor, you will provide active support to the audit and consultative activity, working with a team of experienced colleagues. (Ref MW0503)

For either post you will need to be a qualified accountant or a banker with significant experience in credit analysis and auditing.

We know our expectations are high, but for the right individuals we can provide an attractive remuneration package, commensurate with skills and experience, international assignments, a pleasant working atmosphere in a highly motivated team and significant career development opportunities.

Please contact our advising consultant, Mark Wheatley at Parkwell Management Consultants, 8 Wilfred Street, London SW1E 6PL quoting the relevant reference. Alternatively telephone him on 0171 - 630 6000 (daytime) or 0171 - 536 0668 (evening). Email: parkwell@compuserve.com

All applications will be treated with strictest confidence and all CVs submitted to Dresdner Kleinwort Benson will be forwarded to Parkwell for consideration.

Dresdner Kleinwort Benson

Area Finance Manager

Rüsselsheim, Frankfurt — Package To Attract The Best

GE is one of the highest market value industrial companies in the world. Operating in 12 key businesses as diverse as manufacturing, media and financial services. GE has an AAA rating and 1997 revenues of $90 billion.

GE Plastics has a significant presence in Europe, with several different component operations. The Resin business is now seeking to recruit a dynamic Area Finance Manager to support the sizeable commercial activity within Germany and to strengthen its finance team.

Reporting to the German Commercial Director your main responsibilities will include:

- Support and counsel the German Region European Commercial Organisation to ensure strong financial controls and business objectives are achieved.
- Liaison with European Service Centre on Credit and Collection Performance and Accounting Activity.
- Base cost and headcount budgeting, forecasting and control.
- Counsel and review of contracts, customer productivity and marketing programs.
- Managing an Analyst aligned with the Headquarters and Benelux European Commercial Organisations.
- Monitor plant and equipment expenditure.
- Strategic business projects.

It is envisaged that the successful candidate will be a university graduate (accounting/economics) with at least six years experience, gained working in a similar financial position for a commercially oriented international company and/or the Big Five. Candidates will be high achievers, with the ability to implement change whilst remaining committed to customer service and meeting tight deadlines. Excellent analytical and communicational skills are essential, together with project leadership and entrepreneurial qualities. Good written and spoken German and English are required. International career development opportunities are excellent within this global business.

If you are interested in this opportunity, please contact Drs. Ludo G.M.M. Houben on + 49 (0) 69 7076 7076, or alternatively send your Curriculum Vitae to the following address: Robert Walters Associates, Hamburger Allee 2-10, 60486 Frankfurt am Main. Fax: + 49 (0) 69 7076 7075. E-mail: ludo.houben@robertwalters.com

You may also apply via http://taps.com/Robert_Walters quoting reference RW100.

All applications will be treated in the strictest confidence.

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GROUP MANAGEMENT ACCOUNTANT

Fund Management

Up to £50,000 + Benefits + Bonus + Car **City**

THE COMPANY

- A leading investment and asset management company with a truly global presence.
- Diverse client base to include institutional and private client investors.
- A dynamic and innovative culture reflects their strong year on year fund performance with profit across all their businesses.

THE ROLE

- A key liaison appointment with contacts across the company globally at senior and board level.
- Introducing, improving and maintaining leading edge technology to enhance the information flows.
- Managing a team to produce and develop group management and financial reporting.

YOUR PROFILE

- Qualified accountant preferably from a financial services background.
- Excellent presentation and communication skills a prerequisite in view of liaison with senior management.
- Ability to work and manage multiple projects without close supervision.
- Highly numerate and proficient in Excel, Windows and ideally good Access skills.

TO APPLY

Please apply in complete confidence quoting Ref: FTE1

Matthew Wright, Witan Jardine Executive,
125 High Holborn,
London WC1V 6QA

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Fax: 0171 404 2751
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US Investment Bank

Up to £40,000 + Excellent Package **City**

THE COMPANY

- A top-tier US investment bank with an exceptional image in the market place.
- Business areas include: finance and advisory, market making, asset management, equity and fixed income sales and trading.
- Following an exceptional years performance in 1996/7 they are experiencing growth in many areas.

THE ROLE

- Working closely with the front office.
- Responsible for the production of management and financial information for an equities team of over 200 people.
- Full responsibility for the budgeting process.
- Product attribution analysis and revenue reporting.

YOUR PROFILE

- Newly qualified accountant with financial services experience or a desire to move into the investment banking sector.
- Solid academic background, with an ambitious, proactive and dynamic approach.
- Excellent interpersonal skills are a prerequisite.

TO APPLY

Please apply in complete confidence quoting Ref: FTC1

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This world-wide US quoted software business has already established itself as a global player in the provision of enterprise resource planning software applications. It has embarked on an exciting and challenging strategy to further enhance its position which has led to the need to recruit 2 high calibre finance professionals who will play an instrumental part in executing this process.

European Accounting Manager

You will be responsible for redefining the development and implementation of a complete financial and management reporting infrastructure designed to both control and drive the European business. The position will put into place clear procedures and systems that will fully integrate finance as a proactive management tool across all functions of the business. You must be able to demonstrate a successful track record gained from within a pan-European business characterised by high growth in a fiercely competitive market place. Attributes will be strong inter-personal skills coupled to an ability to work to tight and demanding deadlines in a strong sales and marketing culture.

European Contracts Manager

The ability to develop and retain clients is a key characteristic of this organisation. Equal importance is also given to the financial viability and longer term profitability of client relationships and the contractual terms that dictate revenue generation allied to adhering to the highest service/product delivery levels. This newly created role will measure the ways in which potential business is won and evaluated in revenue terms as well as the ongoing profitability of client contractual terms. Candidates will already have experience of contractual issues and be familiar with developing analytical tools designed to highlight client profitability in a service driven environment. You must also be able to demonstrate a working knowledge and understanding of a service driven business utilising state-of-the-art technology in a pan-European business arena.

Interested candidates should write promptly to Charles Austin or Mark Rowley, at Herst Austin Rowley, 30 St. George Street, London W1R 9FA.
quoting reference HAR0204.
Fax: +44 171 409 7872.
Tel: +44 171 629 1223.
E-mail: charles@herst.co.uk
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Bristol-Myers Squibb Company

Head of European Audit

West London **c. £65,000 + FE Car + Bonus + Bens**

Bristol-Myers Squibb is one of the world's leading diversified health and personal care companies. With an unmatched record of scientific excellence and innovation, it is a top-tier pharmaceutical company in the USA, and the fourth largest worldwide. BMS is the number one producer of anti-cancer therapies, and is a global market leader in cardiovascular/metabolic drugs, anti-infectives, consumer medicines, beauty care products, nutritionals and medical devices. Total sales in 1997 were $16.7 billion, with net earnings of $3.2 billion. Market capitalization stands in excess of $100 billion.

Following a senior internal promotion there now exists a requirement for an exceptional individual to lead the European audit function, based in the UK, in Middlesex. Reporting to the General Auditor, New York, the Head of European Audit is responsible for internal audits performed worldwide, with emphasis placed upon Europe. The internal audit function has evolved, over the past several years, into a highly business-focused team of professionals, supporting the Company's activities and concentrating upon enhancing the effectiveness of the internal control environment through consultation, value-added recommendations and the sharing of best practices. Managing a team of highly-qualified finance professionals, responsibilities will include the following:

- Maintaining the group's strong business relationships with financial and operational management.
- Managing awareness and support for comprehensive internal controls that support the Company's priorities; growth, productivity and a dynamic operating culture.
- Proactive leadership in the implementation of a global, business risk-based, internal control review process.
- Participation in the formulation of the worldwide audit plan, with overall responsibility for the European marketplace.

This first class opportunity will appeal to a qualified ACA, or equivalent, with c.8-12 years PQE and an outstanding record of achievement to date, either within a 'Big 6' public practice firm or a commercial environment. The ability to liaise at the most senior levels of management is an absolute prerequisite, as is the desire to develop a career in a challenging and changing environment. A high degree of IT literacy is required, together with outstanding communications skills, demonstrated leadership capabilities and English fluency. Career progression is clearly demonstrated and is considered outstanding in what is a highly meritocratic and fast-moving environment.

The benefits include an attractive basic salary together with a fully expensed car, generous bonus and normal large company benefits.

Interested applicants should write, in the strictest confidence, to David Craig or Justin Dinner at Walker Hamill Executive Selection, forwarding a brief résumé quoting reference DC4504.

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QUALIFIED ACCOUNTANTS

£40 - 50,000 + ACCOMODATION + RELOCATION

We are representing one of the largest banks in Europe and one of the top 20 banks world-wide. Our client has an enviable reputation, a commanding international presence and an extensive product range.

The Amsterdam based central finance team, for the investment banking activities, is responsible for the provision of detailed management information and financial analysis to the senior management.

Their continued development and increasing business demands have led to a need to recruit additional professional staff for this central finance function.

Newly created opportunities now exist for the following:

- MANAGEMENT ACCOUNTANT(S)
- FINANCIAL ANALYST(S)
- TAX SPECIALIST
- PRODUCT ACCOUNTANT(S)

The range of responsibilities is wide and the breadth of products covered includes a range of equity, fixed income, corporate finance, treasury and derivative products managed on a global basis.

All roles require extensive personal liaison across the business lines, as well as within internal units. You will therefore require confidence and strong powers of communication.

The requirement is for ambitious qualified ACA, CIMA or ACCA candidates with strong PC skills.

Financial services experience is useful but not essential, as the emphasis is on attracting team players with strong interpersonal skills and the ability to work well in an international environment.

Newly / recently qualified accountants are required for the management and product accounting roles. The tax specialist and financial analysts positions both require candidates with some specific experience in these disciplines.

These are exceptional international opportunities and they offer excellent potential for career advancement both within the team and wider organisation.

Successful performance could lead to positions in the bank's extensive network in Australia, Asia, The Americas and throughout Europe.

Please send your CV to Andrew Fisher at Parkwell Management Consultants Ltd., 8 Wilfred Street, Westminster, London SW1E 6PL
Fax: 0171 233 5205 Email: parkwell@compuserve.com or call for more information on 0171 630 8000

Financial Controller

Bromley c £37500 + Car + Benefits

Triage PLC was established in 1994 to specialise in telecoms recruitment, and has experienced exceptional growth. Our success has brought about the need to recruit a dedicated and ambitious finance professional to join the management team.

You will be responsible for: full reporting, financial controls and systems development; input to strategic and planning processes; innovative financial analysis; development of incentive reward and measuring systems; adding value through financial acumen and commercial awareness.

You will be a graduate qualified accountant, probably ACA or ACCA. Aged 30 plus, you will be able to demonstrate a successful track record in a high growth environment with at least 5 years commercial experience.

Please send a letter of application together with your CV to:

Mr N Barnes
General Manager, Triage PLC
Bank of America House
26 Elmfield Road
Bromley BR1 1LR

Closing date 27/5/98

International Finance Opportunities

Leading Ports Operator

Remuneration Packages between US$ 130,000 - 200,000 according to location

Senior Finance Managers

We represent a leading independent ports operator, with interests in Asia, Europe and the Americas. The company, which forms part of a larger Group with global interests in a number of major business sectors, is undergoing a period of significant investment and expansion. Accordingly, several key finance roles are available, most immediately in Central America and the Carribean, and potentially in the Far East, Europe and Latin America.

Successful applicants will be responsible for all aspects of the finance function, reporting to the Finance Director in the UK. The roles are comprehensive and embrace all aspects of financial and operational management. Accordingly the ability to manage and motivate staff whilst implementing fiscal policy in a diplomatic and controlled manner, is essential.

Applications are encouraged from finance professionals in their late-twenties and above with the following attributes:

- An accounting accreditation ie: ACA, ACCA or CIMA.
- Minimum three years experience of finance management and control, preferably gained within a multinational company.
- Previous experience overseas seen as an advantage.
- Language skills are advantageous.

The positions demand a pragmatic, proactive, hands on approach and will suit professionals with proven business acumen. Successful applicants will be seeking a truly international career where mobility is seen as a strong personal attribute. The company offers exceptional global career prospects and comprehensive remuneration packages.

Interested applicants are invited to contact Nick Coppin or Jonathan Astbury for an initial discussion. Telephone 00 44 171 930 1222, facsimile: 00 44 171 930 1444. Alternatively write enclosing your CV to Astbury Marsden Search & Selection, 49 Strand, London WC2N 5HZ, England. e-mail Response@astburymarsden.co.uk.Internet http://www.astburymarsden.co.uk

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SEARCH AND SELECTION

Targeting

Financial Professionals

Dolphin Telecommunications Limited, part of the highly successful Telesystem/TIW Group of Canada, are rolling out the UK's first ever digital TETRA Mobile Network. TIW's current stock market capitalisation is approximately US$1.5 billion.

Dolphin is the largest provider of SMR services to the mobile workforce market in Europe, with existing operations in the United Kingdom, France, Germany and Spain. Dolphin is targeting the professional mobile communications market using TETRA technology.

Based at their European headquarters in Basingstoke, United Kingdom, Dolphin seek to appoint the following key personnel to play an integral part in assisting the Group's continued international expansion.

Group Financial Controller
(Ref: DTL01)

Reporting to the Finance Director. Key responsibilities include:-

- Control and consolidation of group accounting and reporting activities.
- Budgetary co-ordination and assistance to operating entities.
- Significant involvement in financings, together with ongoing involvement in mergers, acquisitions and international taxation issues.

Group Treasurer
(Ref: DTL02)

Reporting to the Finance Director. Key responsibilities will include:-

- Identifying and implementing funding sources, including equity, high yield and bank and vendor debt.
- Ensure all surplus funds are invested to optimum return, and to manage and mitigate currency and interest risk.
- Manage investor relations activities and banking relationships.

Group Taxation Manager
(Ref: DTL03)

Reporting to the Finance Director. Key responsibilities will include:-

- Provide tax engineering advice relating to acquisitions, financing and capital structure and ensure best practice.
- Minimise VAT liabilities and advise on transfer pricing.
- Liaise with TIW and support our European business in tax planning.

Group Financial Accountant
(Ref: DTL04)

Reporting to the Group Financial Controller you will be responsible for the following:-

- Consolidation of Group Accounts to meet financial and budgetary control criteria.
- International reporting of accounts to European (IAS), Canadian and US Reporting Standards.
- Support financial reporting and systems of operating entities.

Candidates for all positions should demonstrate a proven background in similar roles ideally, but not essentially, encompassing Big 6 experience and exposure within the Telecommunications, Data or related hi-tech markets. Experience within publicly listed entities would be a decided advantage. International exposure for all these roles is essential.

In return these posts offer excellent benefits, terms and prospects within one of the world's most progressive telecommunications groups.

International Banking Group

PROGRAMME MANAGER

TO LEAD CRITICAL & STRATEGIC PROGRAMME OF CHANGE

£ TO SIX FIGURES · LONDON

Our client is a major force in international corporate, investment and retail banking. As the business community faces competitive challenges in the current dynamic marketplace, its corporate banking division plays a key part in building the wealth and prosperity of the corporate sector.

The management team of this significant division needs the skills of an exceptional full-time Programme Manager to focus on continuing the delivery and co-ordination of a high-profile and major transformation initiative.

THE POSITION

- Report to and advise the Head of The Programme. Deliver the streams of a massive transformation programme including co-ordination of elements across marketing, operations, sales and IT.
- Pivotal role operating across banking divisions and the Group. Provide strategic input and advice to senior colleagues.
- Lead consulting teams, project managers and working parties across this multi-stream programme.
- Ensure thorough and workable planning, reporting, cost and risk management mechanisms are in place. Work to tight deadlines.

QUALIFICATIONS

- Exceptional programme and project management skills. Leadership on major initiatives such as EMU or significant infrastructure projects.
- Track record of success within a major blue chip or consulting organisation. Banking experience is desirable although not essential.
- Ability to command support in a highly pressured environment. Diplomatic, highly motivated and focused. Credibility and stature to win respect internally and externally.

SAINTY HIRD & PARTNERS

SHP Associates

Please send a full cv and current salary details, quoting ref: 980503/T to Fiona Jobson, SHP Associates, Aldermary House, 10-15 Queen Street, London EC4N 1TX. Tel: 0171 815 8888. Fax: 0171 815 8800. E-mail: shpa@shpa.co.uk

Group Chief Accountant

United Biscuits (Holdings) plc

West London – Excellent package plus bonus and executive benefits

■ United Biscuits is a dynamic international food group with leading positions in UK biscuits, snackfoods and frozen and chilled foods. Following a major refocusing exercise this year the company has organised into two divisions – an integrated international biscuits business, known as McVitie's Group with sales approaching £1 billion and the UK snack and frozen and chilled foods operations, known as UK Foods with sales of c. £700 million. Following an internal promotion there is a requirement for a new Group Chief Accountant.

■ Reporting to the Group Finance Director, you will be responsible for the day to day management of the group finance department to ensure the quality and integrity of all consolidated financial information of the UB group including interim and annual reports to shareholders, internal management reports, budgets and forecasts.

■ This role will suit ambitious motivated individuals who thrive in challenging environments and who will view it as part of an exciting career move. A graduate qualified accountant, you should have demonstrable experience in motivating and managing finance teams. Candidates are likely to be senior audit managers with experience of multinational groups. An enthusiastic positive management style combined with the intellectual agility to work with senior group executives are essential prerequisites for this key position.

To be considered for this role, please send your curriculum vitae with current salary details and an explanation of how your experience meets the above requirements to Gemma Jenkin or Tim Hastings, Ernst & Young Executive Search & Selection, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH, quoting reference GJ242. Tel 0171 931 2967. Fax 0171 931 1022 or e-mail: gjenkin@cc.ernsty.co.uk

ERNST & YOUNG

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FINANCE DIRECTOR

PC and Network Products

Hertfordshire — c £85,000 Package

This $2 billion turnover US based organisation is a market leader in direct marketing of PC and network products. With operations in eight countries and 3,500 staff, they have grown rapidly during their 10 year history through a combination of focused market development and strategic acquisitions. A sound understanding of the need for different business models in different regions of the world has produced a culture which promotes a high degree of autonomy at country levels. With this in mind, there is currently a requirement for a strongly commercially minded Finance Director to help drive the future development of the UK operating company.

THE POSITION

- Provide the financial leadership for the company including planning, analysis, forecasts and controls.
- Management and development of a finance team of around 56 people in the company's two UK locations.
- Make a significant contribution to the overall commercial management of the company with direct involvement in negotiations with vendors and clients.

QUALIFICATIONS

- Experience gained at board level in a high volume business environment, preferably in the technology sector.
- A qualified accountant, probably aged in your 30's, you will have high energy levels and the strength of personality to influence the direction of a dynamic organisation.
- You will be a commercially astute individual with the ambition to succeed in a demanding industry.

Interested candidates should write enclosing full career details, current salary and where possible a daytime telephone number to John Anderton, Technology Division, Questor International, 3 Burlington Gardens, London W1X 1LE. Fax: 0171 287 5457. Email john@questorint.com. Please quote reference number 2435.

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Actuaries and Consultants
Internationally WOODROW MILLIMAN

Our client is a leading actuarial consultancy partnership offering a comprehensive range of services and advice across a broad spectrum of financial sectors. The partnership is one of the largest independent firms of their kind in Europe with a global network of offices and their loyal client base includes an impressive array of prestigious organisations. The practice is currently undergoing a significant, all embracing change management programme, focusing on business development as well as strategic and profitable growth. This initiative will comfortably place the firm as one of the major forces in its market, well into the next Millennium.

THE POSITION

- Reporting to the Managing Partner, undertake full executive participation, working with the Management Board to define, develop and drive the firm's growth and change management strategy.
- Lead, manage and motivate the finance function, ensuring the structure, resources and operating practices effectively support the firm. Develop team members for future career progression.
- Ensure the production and reporting of timely, accurate and effective financial and management information which meets the current and future needs of the business.
- Develop the finance function to pro-actively add value to the partnership through the analysis and interpretation of results, trends and financial indicators.

QUALIFICATIONS

- Qualified Accountant, probably in your 30's-40's, with experience of running a finance department that is committed to implementing best practice procedures and adding value.
- Post qualification experience gained in leading financial or professional services firms that are ideally partnership environments.
- Intellectually bright with the gravitas and maturity to influence and contribute at a senior level. Team building approach and participative management style.
- Excellent influencing and communication skills, the ability to build effective relationships across the business and a strong determination to deliver.

This is an outstanding opportunity to join a prestigious partnership at an important stage in their development. Interested candidates should write, enclosing full career and current salary details, quoting reference 2432 to the advising consultants Sharon Glenaway or Julie Gilgrist, Consumer Division, Questor International, 3 Burlington Gardens, London W1X 1LE. Telephone 0171 292 8300 Fax 0171 287 5457. e-mail:gail@questorint.com

QI
QUESTOR INTERNATIONAL

GROUP TREASURER

Quoted PLC

c.£70,000 + excellent benefits — **East Midlands**

The Company is a £700m. turnover plc. Young, cash generative and acquisitive, it is focused on a core, fast moving, consumer market.

The Position is a hands-on role, reporting to the Group Finance Director, in a lean head office team. Responsible for all aspects of Treasury management, the most critical issues are complex economic currency exposure, funding and cash management.

You will need to be MCT qualified or equivalent and have several years senior treasury experience from a large, divisionalised group. Extensive exposure to funding and sophisticated currency management is essential, as are the maturity and credibility to operate at the highest level both within and outside the company.

Please write in confidence, with CV and remuneration details, to Criterion Search, 50 Regent Street, London W1R 6LP, quoting ref: 3012. Tel. 0171 470 7108. Fax. 0171 470 7171.

CRITERION SEARCH
PART OF THE CURZON PARTNERSHIP

INTERNATIONAL CAREER OPPORTUNITIES

FAST TRACK COMMERCIAL ROLES

Near Frankfurt — **Excellent Packages**

Our client is part of one of the world's leading process automation companies with revenues of over $1.5 bn and 11,500 employees operating in more than 30 countries. Two challenging international career opportunities now exist in this exciting group.

Commercially biased, the audit roles at manager and senior level will focus on financial and operational reviews and assistance with group initiatives. They will have specific European responsibility as part of a small worldwide team which reports directly to the Managing Director and CEO of the whole group. Successful performance in these key roles will result in a rapid career progression.

For the manager position, a background in a major public accounting firm and/or internal audit or consultancy is essential with a minimum of 4/5 years experience. Preference will be given to candidates who have demonstrated the ability to bring benefits to their business and with some experience of reviewing technology/contract/manufacturing operations. A similar but less experienced background is needed for the Senior position. Both positions require candidates with strong initiative and communicative skills to influence change whilst maintaining excellent relationships with senior management.

Candidates will possess a university/professional qualification and be reasonably fluent in German and English. Some business travel in Europe will be required.

A competitive package will be offered with relocation assistance if necessary.

Please forward a CV in English, stating salary expectations to McLintock International at the following address.

McLINTOCK

EBC House, Kew Road,
Richmond Surrey TW9 2NA
Tel: 00 44 181 940 4900. Fax: 00 44 181 940 6524.

Mulberry
ENGLAND

Do you have experience in Retailing & Manufacturing?
Would you enjoy a high profile environment which values innovation and creativity?

FINANCIAL DIRECTOR – RETAIL

Somerset — **£Negotiable + Bonus/car**

Over 27 years. The Mulberry Brand has grown in a culture combining craftsmanship, technology and entrepreneurship. Could you further develop our growth?

Today, Mulberry, which is listed on the Alternative Investment Market, designs and manufactures a portfolio of accessories, ready to wear clothing and interior design products which are sold in 32 countries worldwide.

This is a unique opportunity to be responsible for the financial strategies, implementation and reporting of systems for our 55 Retail and Franchise shops around the world.

You are likely to be a chartered accountant with at least five years' experience in a senior role who thrives under pressure and enjoys diversity. You must also be able to demonstrate success in the installation, development and management of retail distribution systems.

This is a chance to make a real contribution to our future and carries the benefits associated with a company listed as one of the UK's "Top 100 Employers".

If you have the skills we need and wish to make a real contribution to our future, then please send your CV and details of your present salary to: Alison Barlow, People Department, Mulberry Co. (Design) Limited, Kilver Court, Shepton Mallet, Somerset BA4 5NF. Closing date for applications: 11th June 1998.

INVESTOR IN PEOPLE

OUTSTANDING COMMERCIAL OPPORTUNITY

SPECIALIST BUSINESS SERVICES GROUP

London

c.£70,000 Package

Our client is the market leader in the provision of professional services to the IT sector both in the UK and overseas. Established in 1992 they have experienced phenomenal growth. They employ over 100 staff and have offices in 6 UK locations as well as correspondence offices throughout Europe. Now poised for even greater expansion they are projected to double in size over the next twelve months.

Essential to this growth is the recruitment of a talented, ambitious professional who will play a significant role in propelling this highly successful business forward.

Reporting directly to the Group Managing Director the principle tasks of this high profile appointment will include:

- Full profit and loss responsibility for the groups largest division – The UK Professional Services Division;
- Contribution to the development of company strategy and direction;
- Improvement and development of systems and procedures to ensure that outstanding client service is maintained;
- Key involvement in the motivation, training and development of 50 staff, budgeted to double within the next financial year.

This is a truly outstanding opportunity for a practice trained, qualified accountant. The ideal person will also have 4-5 years' commercial experience in a service related, customer focused environment.

Demonstrating first class communication and leadership skills, the successful candidate will have a natural enthusiasm for dynamic growth.

In all respects this will be a visible and influential position offered only to an individual who can demonstrate the potential of becoming a main board director.

Applications should be submitted to either David Goldstone or John Rose at Harrison Willis, Cardinal House, 39-40 Albemarle Street, London W1X 4ND. Tel: 0171 629 4463 Fax: 0171 344 0361. E-mail: john.rose@hwgroup.com Internet: www.hwgroup.com

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MANCHESTER • MIDDLESEX • NOTTINGHAM • READING • ST ALBANS

INVESTOR IN PEOPLE

FINANCE DIRECTOR

Northern Home Counties

£50,000

Our client has a long established business as a supplier of product and service solutions to both food retailers and the food industry in the UK.

The group has successfully expanded sales and profits year-on-year for the last decade, with product innovation, creative marketing and partnership with customers and suppliers driving organic growth.

This is a strong independent company, based in the northern home counties, with some 300 employees and sales of £21M.

The company has recently secured a new investor to support its exciting business development plan. The current finance director is to retire in the near future after 15 very successful years, and the appointment of a new Finance Director is one of a number of steps being taken by the chief executive to develop a strong board and senior management team for the future.

The Finance Director will report directly to the chief executive and will work closely with the other members of the senior management team. You will have day-to-day responsibility for all Corporate Service functions, including but not limited to control and management of the Finance, IT and Human Resources departments.

You will be required to develop internal control procedures to effectively manage the assets of the business and control the working capital needs of the group. You will be responsible for providing support and information through monthly management accounts in addition to the statutory accounting requirements. You will develop positive working relations with management in the commercial divisions to support their efforts to achieve the group's short and long term targets.

The future looks good for this company and it is now seeking external targets to acquire at the same time as it drives its ambitious organic growth activities.

You will be a senior qualified accountant who can demonstrate strong all round experience from within customer-sensitive businesses both small and large. You will be looking to forge strong long term relationships with the board team and to put in place effective and motivated people in key positions in your own functional teams. You should be a team player who is prepared to lead, and able to communicate effectively at all levels in the business.

Interested candidates should contact Paril Kotecha or Richard Baker ACMA at Harrison Willis on 01727 840660 (evenings and weekends 0956 935919 and 0973 226749 respectively) or forward their CV to Harrison Willis, 47 London Road, St Albans, Herts AL1 1LJ. Fax: 01727 840662. E-mail: richard.baker@hwgroup.com Internet: www.hwgroup.com

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MANCHESTER • MIDDLESEX • NOTTINGHAM • READING • ST ALBANS

INVESTOR IN PEOPLE

COSTCUTTER

Yorkshire

£45,000 + Car + Bonus

The Company

Costcutter Supermarkets is a £180 million turnover retail distribution group with over 750 franchises across the country. This dynamic company, the only national independent retailer organisation in the UK and Eire, was established just over 10 years ago and has sustained growth averaging over 15% year-on-year since inception. This exciting phase of growth is set to continue through further investment fully utilising the in-depth market knowledge and technical expertise of this nationwide organisation.

Based in modern purpose built premises just outside York, Costcutter has developed a unique approach with a strong awareness of the retailer and consumers' needs and a quality of service which engenders great loyalty from their customers.

With this rapid expansion predicted to continue Costcutter is now seeking to strengthen its senior management team with this appointment.

The Role

As Director overseeing both the finance and the information systems departments, the successful applicant will be responsible for strategic review, business development and will have significant involvement in determining the commercial direction of the business. Working closely with the Managing Director you will be required to liaise closely with senior managers, both internally and externally, identifying new business opportunities and developing current areas of operation.

This influential role will also be expected to have a major impact upon business systems, assuming full responsibility for the internal information technology across the group. An exciting role where flair and initiative will be well rewarded.

The Appointee

A qualified Senior Finance Manager, you will have significant experience at controller or director level. You will have a pro-active approach with the ability to interface effectively with personnel at all levels and be able to make an immediate impact within the management team.

The successful applicant will also be able to demonstrate strong business acumen and the ability to identify and develop business systems. Managing a sizeable team, this role will require a confident and skilled man-manager with strategic vision.

An excellent opportunity for a commercial finance professional to develop a long term relationship within a successful, market leading organisation.

To apply please write enclosing your CV and current salary details to Hays Accountancy Personnel, Sovereign House, South Parade, Leeds, LS1 5QL. Tel: 0113 243 8384. Fax: 0113 242 3198. All direct applications will be forwarded to Hays Accountancy Personnel.

Hays

Hays Accountancy Personnel

BUSINESS ANALYST

Central London

£Negotiable + Excellent Benefits

The Company

Enviable growth has led our client to become one of the world's largest upstream companies focusing on exploration, development, production and sales of oil & gas. In recent years, significant international expansion has taken place, resulting in a gas-rich portfolio. The company are now attempting to secure additional markets for this gas and are presently developing and evaluating investment opportunities in down stream gas.

The Role

Reporting to the General Manager, you will be a key member of the team, playing a major strategic role in the expansion of their markets and development of a rapidly changing organisation. Within this challenging and rewarding role you will be responsible for:

- Establishing and developing sound investment proposals in the UK and Continental Europe
- Performing economic modelling and financial analysis in respect of potential projects
- Establishing optimal financing of projects
- Participating in meetings with banks and negotiating with third parties

The Appointee

The culture that pervades throughout this company attracts only the highest achievers. Those who succeed through innovation, flair and business initiative are rewarded accordingly. You will be:

- A graduate with an accounting or business qualification and up to 5 years pqe
- Possess strong financial and analytical skills and be familiar with DCF techniques
- Be innovative, creative and commercially astute
- Be team orientated and preferably have a knowledge of the energy sector
- Have effective communication skills which will be vital to develop relationships throughout the business
- You will also need to demonstrate a solutions driven approach

Your ambitions will take your career to the next step within the company.

To apply please write enclosing your CV and current salary details to Hays Accountancy Personnel, Senior Finance Division, 14 Great Castle Street, London, W1N 7AD. Tel: 0171 436 9964. Fax: 0171 436 8385.

Hays

Hays Accountancy Personnel

KPMG

Financial Controller

- **Northampton**
- **To £45,000 + Bonus + Car**

Our client, a European market leader in the design and manufacture of connectors and inter-connection systems for the electronic and electrical industries, seeks to recruit an ambitious, flexible and proactive finance professional to accept the challenging role of Financial Controller within their UK subsidiary.

Reporting to the Managing Director, the Financial Controller will assume responsibility for all aspects of the company's financial affairs, in addition to advising on the development of management information systems, overseeing the human resources and logistics functions, and interfacing with professional advisors. The Financial Controller will also work closely with the Managing Director in establishing and delivering the corporate strategy and will be required to provide significant commercial input as a key member of the senior management team.

Candidates should be qualified accountants who possess significant commercial experience, preferably gained within a customer focused, manufacturing/distribution environment. In addition to excellent interpersonal and management skills, applicants will also require the vision and business acumen necessary to perform a key managerial role in this ambitious, dynamic and rapidly expanding organisation. This post offers excellent opportunities for future advancement to either UK Board level and/or an international role.

Applicants should write, enclosing full career and salary details, quoting reference B/692/98, to Steve Bastable, KPMG Selection and Search, 2 Cornwall Street, Birmingham B3 2DL. Fax: 0121 232 3609. E-mail: steve.bastable@kpmg.co.uk

KPMG Selection & Search

MAKE A DIFFERENCE

Yorkshire Water

Yorkshire Water is one of the region's major companies with a turnover in excess of £500m and is currently undergoing a major transformational change.

The level and pace of this change is fundamental to the company achieving its goal of unequalled customer satisfaction while remaining commercially competitive.

A high profile business facing ever increasing conflicting challenge and emerging competition it provides a dynamic working environment where the focus is on delivery without compromising quality.

Harnessing leading edge technologies with commercial drive is essential if the company is to succeed in the 21st century.

COMMERCIAL FINANCE MANAGER £45,000 + Car + Benefits

As the financial expert within the management team, you will contribute at the highest level of business decision making. Your responsibilities will cover performance monitoring and the provision of advice on corrective action where inefficiencies are exposed.

Specifically you will • Undertake project appraisal ensuring economically sound decisions are made • Build a forecasting model for the operation in order that demand levels are anticipated • Establish a basis of costing by developing an understanding of key drivers • Co-ordinate the business planning process throughout

Furthermore, you will promote an improved financial and commercial awareness at all levels within the organisation.

BUSINESS PLANNING ANALYST £35,000 + Car + Benefits

With responsibility for the Business Plan, you will play an important role in delivering commercial change through the effective planning and leadership of improvement projects.

Specifically you will • Develop a "balanced score card" for the business along with a basis for monitoring this • Set up a budgeting procedure and a method of prioritising between competing needs • Monitor the progress of change against planned targets • Lead initiatives to eradicate inefficiencies and ensure best practices

Our client is looking for high calibre professionals who thrive on challenge and can deliver in the face of demanding pressures. To be successful you will be a graduate and a qualified accountant with a solid track record of success in an FMCG/Retail environment, having a minimum of 3 years Post Qualification experience and a proven ability to deliver results. Applicants will probably be aged in their late 20's to mid 30's possessing drive, ambition and enthusiasm coupled with a desire to make a difference.

If you believe you possess the attributes required by these highly demanding roles, send your C.V., with salary details, to Phil Jones MBA at the address below. These vacancies are being handled exclusively by Northern Recruitment Group.

NORTHERN RECRUITMENT GROUP PLC

Abtech House, 18 Park Row, Leeds LS1 5JA. Tel: 0113 244 1318. Fax: 0113 244 1324. Email: recruitment@nrg.ltd.uk

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Royal National Lifeboat Institution

HEAD OF FINANCE

Salary circa £50,000 **Poole, Dorset**

The Royal National Lifeboat Institution has a proud and honourable tradition of bravery and effectiveness in fulfilling its mission of saving lives at sea. It employs some 800 staff who support the volunteers who comprise 4,500 dedicated lifeboat crew members, 1,000 shore helpers, the officials who run the 222 lifeboat stations and the many thousands of fundraisers. Last year it cost the Institution £70m to run its modern lifeboat service.

Lifeboats
Royal National Lifeboat Institution

The money raised through the efforts of its volunteer fundraisers enables the RNLI to fund all its various activities. These include the boats and equipment, maintenance, training and the design and development of new lifeboats. The RNLI does not receive Government funding.

The Head of Finance is a key appointment and is responsible for all aspects of financial management, reporting, budgeting and forecasting for the RNLI, a charity with 2000 branches and subsidiaries, including a sales company. Reporting to the Director, the Head of Finance is a member of the Senior Management Team and is expected to make a significant contribution to the corporate planning and decision making process.

Candidates will be well-qualified finance professionals with experience of operating at senior management level in a substantial organisation, not necessarily in the not-for-profit sector. They will have had responsibility for all aspects of financial management and will be capable strategic thinkers. They will be experienced negotiators and preferably have worked with a range of external professional organisations, including investment managers. Candidates must be able to demonstrate the ability to understand and be sensitive to the ethos of the RNLI, and although knowledge of charity law and accounting practice, including taxation, is not essential, it would be an important attribute, as would be experience of the development and implementation of major IT systems.

To express your interest in this appointment please send, in strict confidence, a full CV (including your career history, relevant achievements, latest remuneration, date of birth and, for use with discretion, daytime telephone number) to the Institution's advisers: Peter Drew, Saxton Bampfylde Hever plc, PO Box 198, Guildford, Surrey GU1 4FH (fax 01483 30 30 29), quoting ref: PLNC/F to arrive not later than Friday 12 June 1998. We will contact you by Friday 3 July.

ARC
ADVERTISED RECRUITMENT AND CONSULTANCY
A PRACTICE WITHIN SAXTON BAMPFYLDE HEVER PLC

ARC Hanson

Influential finance roles within a major plc.

ARC is a major operating subsidiary of Hanson PLC and lies at the core of the Group's future strategy. ARC is one of the UK's leading producers of construction materials, employing 4,300 people on more than 300 sites across the country and in its marine dredging fleet. Internal promotion and reorganisation has led to a requirement for two outstanding individuals to take up business facing roles within the organisation.

DIVISIONAL FINANCIAL CONTROLLER

Based in one of the larger business units and reporting to a Divisional Director, you will operate as an integral member of the management team and be responsible for the timely provision of all management and financial information, as well as offering commercial advice to the management group. Leading a small team, you will ensure that group reporting requirements are met whilst making a key contribution to the development of business strategy. Ref: DFC/919.

GROUP FINANCIAL CONTROLLER

Based at ARC's Group Head Office near Bristol and reporting to the Group Finance Director, you will act as the interface between the group finance function and a number of value added business units. In addition to the review of capital proposals and performance monitoring, you will lead commercially meaningful projects across the business, particularly in the area of management information development. Involvement in acquisition and joint venture activity is also envisaged. Ref: GFC/919.

Both positions call for excellent technical skills coupled with the ability to contribute to the strategic direction of the business through the provision of sound commercial advice. Ideal candidates will be qualified accountants with circa five years post qualification experience, preferably, although not essentially, gained in a manufacturing or distribution environment. Additional attributes should include strong interpersonal skills and the ability to communicate, persuade and influence at all levels across the business.

In return we offer a competitive remuneration package which includes excellent bonus potential and a full range of company benefits including a fully expensed car. Interested candidates should send a current CV, quoting appropriate reference, together with details of salary expectation, to Karan Paige at Paige Consulting, PO Box 276, Exeter, EX3 0YP. Tel: 01392 876754. Fax: 01392 877927. Email:paigecon@eclipse.co.uk

PAIGE CONSULTING
EXECUTIVE SEARCH & SELECTION

CANTERBURY CHRIST CHURCH COLLEGE

FINANCE

DIRECTOR OF FINANCE

Not less than £35k per annum
Ref: DOF/FIN/33

Canterbury Christ Church College is a large successful Higher Education Institution which has grown rapidly over the past five years and now has over 10,000 students.

As Director of Finance you will be responsible for the administration of the College's finances, turnover £35m. You will need a recognised accountancy qualification, and extensive experience of financial administration at a senior level in a large organisation.

You should have the ability to lead the Finance Office during a period of change, good communication skills and a willingness to exercise initiative and judgement.

Closing date: 1 June 1998.

Interviews from Mid June 1998.

Salary dependent on experience and qualifications.

Application form and further details from Personnel, Canterbury Christ Church College, North Holmes Road, Canterbury, Kent, CT1 1QU, Tel (01227) 782475 (answerphone service), quoting the reference number, E-mail: personnel@canterbury.ac.uk
No agencies.

Appointments Advertising

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday.

For information on advertising in this section please call

Ben Bonney-James
on 0171 873 4015

Financial Times

Barclay Simpson
Recruitment Consultants

Head of Internal Audit

Establish Internal Audit in the world's largest medical research charity

Based Central London *C£60,000+Bens*

The Wellcome Trust is the world's largest independent medical research charity, with an asset base of £11 billion and distributing some £250 million to support biomedical research each year. It seeks not only to fund the research, but also to ensure that its potential health care benefits are fully realised. The Trust supports more than 3,000 researchers in 30 different countries. To help meet these challenges the Trust wishes to appoint a Head of Internal Audit.

The Head of Internal Audit is a senior management appointment and will report to the Director of the Trust and to the Chairman of the Audit Committee. Key objectives will include ensuring that effective control is maintained, providing reassurance that the Trust's assets are being safeguarded, determining ways to enhance and improve efficiency and assisting in the interface with recipient institutions.

This is an exciting and wide ranging opportunity to establish and develop an internal audit department covering all aspects of the Trust's operations. It will appeal to experienced internal auditors with a minimum of 8 years professional audit experience who have proven ability in leading successful audit teams in either the public or private sectors.

Applicants must be professionally qualified, have a record of developing systems and implementing change, have a high level of I.T. literacy and empathise with the objectives of the Trust. Experience of investment markets, computer audit or knowledge of the operation of charities would be desirable.

For further details and to apply, please contact Adrian Simpson ACA, at Barclay Simpson Associates, Hamilton House, 1 Temple Avenue, Victoria Embankment, London EC4Y 0HA. Telephone 0171 936 2601. Fax 0171 936 2655. E-mail as@barclaysimpson.co.uk

The Wellcome Trust

Business Finance Analyst

West Midlands ***£50-£55,000 + Car***

Our client, a world player in specialist engineering markets is committed to world class business systems and controls. With operations throughout the world its Finance function delivers both demanding and varied work together with first class training and personal development.

Due to a number of acquisitions they seek a Business Finance Analyst to be Midlands based and involved in acquisitions and divestments of businesses as well as monitoring the performance of current subsidiaries.

Reporting to the Finance Director and working with board members you will be dealing with external advisors, performing due diligence and post acquisition reviews.

You will be responsible for the analysis of the budgets, plans and accounts of the subsidiaries. In addition, the department advises divisional management regarding all investment projects that require the approval of the Group Chairman or Board and prepares investment appraisal reports on such project proposals.

Ideally candidates will be graduate, qualified accountants, IT literate with an international mindset.

You will possess excellent interpersonal skills and a desire to succeed in a fast moving, diverse company.

This is an excellent opportunity to join this highly professional organisation with excellent prospects for advancement.

Suitably qualified and experienced candidates should send a full CV to: Tony Gleeson BA CA quoting reference number JT2/R1 at Greenwell Gleeson Associates, 52 St. Pauls Square, Hockley, Birmingham B3 1QS.

GREENWELL & GLEESON associates

Project Finance Controller

Birmingham ***£37-40,000 + Car + Benefits***

The Company

Our client was formed in 1989 as a joint venture between two major conglomerates. It has a small head office in Paris and corporate offices in the UK, Spain and Belgium. Turnover is circa 12 billion ECU and the business employs some 93,000 people.

They have an autonomous devolved structure with five operating divisions.

This division is an international group of companies and manufactures a complete range of equipment for customers throughout Europe, the Far East and the USA.

It offers a comprehensive project management service which includes turnkey design and build contracts.

Based at Birmingham on a 52 acre site, our client manufactures for UK and overseas markets.

As a result of winning contracts worth several hundreds of millions of pounds, they now require a first class finance professional.

The Role

This key role is required to drive the function towards its key objectives.

The Project Controller will be responsible for:-

- Co-ordination, consolidation and review of activities within Finance Project teams.
- Review of project situation reports, cashflows, budgets and capital employed forecasts.
- Monitoring key performance indicators across all projects.
- Liaising with senior Management and Directors across all functions on areas of financial project control and reporting.

The Candidate

- You will be a qualified accountant with significant experience gained in a large, engineering environment.
- Sound commercial appreciation. Strategic overview with proactive, hands-on approach.
- First class interpersonal skills, ambitious, committed to continuous improvement.

Suitably qualified and experienced candidates should send a full CV to: Tony Gleeson BA CA at Greenwell Gleeson Associates, quoting reference RW/FA 52 St. Pauls Square, Hockley, Birmingham B3 1QS.

GREENWELL & GLEESON associates

DIRECTOR OF FINANCE & ADMINISTRATION

c.£52,000 + car + pension **Manchester**

This substantial and well-respected Manchester legal practice tops the tables in the North West in its specialist field. Having achieved significant levels of growth in the past and aiming to do so in the future, the firm is at an exciting stage in its development. As they now employ some 170 people, the equity partners are looking for a high-calibre individual to take responsibility for the non-fee-earning side of the partnership.

Reporting to the Managing Partner, you will play a key and influential role, heading up the finance, administration, IT and personnel functions. As one of a small central management team, you will assist the firm in all aspects of its profit planning, financial controls and general management.

A high performing Chartered Accountant with a minimum of ten years' post qualification experience, you should have strong management, analytical and communication skills. This varied and demanding hands-on role requires first-class interpersonal skills and the ability to contribute at all levels, together with well-developed business acumen and commercial flair.

Please reply in confidence, enclosing your CV and current salary details, **quoting Ref: FT9036**, to Joelle Warren, Howgate Sable, Arkwright House, Parsonage Gardens, Manchester M3 2LF. Tel: 0161-839 2000. Fax: 0161-839 0064.

e-mail: manchester@howgate-sable.co.uk

Internet: http://www.howgate-sable.co.uk

HOWGATE SABLE h|s
International Search & Selection
Partnered with Kenzer Corporation in North America

IT Appointments